



THE OUTLOOK

Importance of Foreign Trade Financing—Readjustment in Prices—The Steel Industry—New Call Money Conditions—The Market Prospect

WHILE actual price movements during the past fortnight have been narrow, the fact that prices have been so well maintained is important, since it shows that the rise of January was more than a mere rally in a liquidating market. There is a decided improvement in the tone of the market as compared with 1920. Even the rails, in spite of many discouraging conditions, manifest some firmness, though devoid of enthusiasm.

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FINANCING FOREIGN TRADE THE American Bankers Association plan for financing foreign trade, which will permit a total extension of \$1,000,000,000 of additional foreign credits provided buyers can be found for that many debenture notes, bids fair to be an important factor in industrial conditions. At the same time too much must not be expected, in the immediate future, either from these loans or from those of the War Finance Corporation. The growth of these credits will be slow.

In considering the effect of this foreign financing on investment securities, it should be remembered that the same loans which help to sustain our industrial activity will make draughts on our supplies of investment capital. By increasing our exports they will help trade conditions, but to the extent that these exports have to be sold on credit they will absorb capital or credit which might otherwise accumulate and help to bring easier money rates.

If, however, the Federal Banks should rediscount heavily on the proposed debentures as security, or on Treasury certificates or debentures issued to finance the operations of the War Finance Corporation, an expansion of Federal currency notes would follow which would arrest the progress of deflation and pull down the Federal Bank ratio—which has now risen to 49.6%. The Federal Board will hardly refuse

to rediscount Treasury certificates, but in regard to debenture notes they should and undoubtedly will act with due caution.

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THE per cents of decline from Feb. 1, 1920, to Feb. 1, 1921, of the various groups of commodities as given by Bradstreet's, is of interest:

PRICE CHANGES		
Breadstuffs	.....	32.3%
Live stock	.....	38.1
Provisions	.....	23.3
Fruits	.....	16.0
Hides and leather	.....	41.1
Textiles	.....	57.1
Metals	.....	35.9
Coal and Coke	.....	*23.0
Oils	.....	40.4
Naval stores	.....	50.7
Building materials	.....	9.2
Chemicals and drugs	.....	6.0
Miscellaneous	.....	60.8
Total	.....	40.7

The high figure for coal and coke is due to the persistent high level of anthracite. Oils have fallen further since Feb. 1.

With the exception of anthracite, fruits, building materials and chemicals, there is beginning to be an approach to a fair adjustment among the various groups. Roughly, those commodities which embrace the greatest proportion of labor in their value have fallen the least. This is normal, as wages are always the last to rise and the last to fall, and the in-

*Increase.

creasing unionization of labor makes it more difficult than ever before to bring wages down when the cost of materials falls.

Moreover, these are wholesale prices, and retail prices have not yet come down in proportion, partly because of the unwillingness of retailers to sell at a loss, and partly because retail prices contain more wages than wholesale prices. So labor is partly justified in refusing to accept reductions.

The gist of the matter is that while readjustment is making progress, it is far from being complete. It could not be expected that the most abrupt price decline in history would occur evenly. It must necessarily be followed by a considerable period of uncertainty and confusion.

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STEEL CONDITIONS

JUDGE GARY argues that no more steel can be sold by cutting prices, and that to make a profit at lower prices it would be necessary to reduce wages also, hence there is nothing to be gained by a reduction at this time. On the other hand those independents who have made prices below those of the U. S. Steel Corporation claim that further deflation is necessary to loosen up the situation and get things moving.

Probably both are partly right. Steel prices did not fall as much in 1920 as the average of other commodities, and it is quite possible that a lower level may be necessary to stimulate renewed activity in construction work. But whether the time has yet come for lower prices to have that effect is open to doubt.

U. S. Steel is constantly throwing its great influence more and more toward the policy of stabilization. In the past, however, it has not hesitated to cut prices when convinced that such a policy would really have the effect of stimulating industry, and it will be remarkable if the present period of dullness can be passed without an eventual reduction. It is noticeable that Judge Gary does not commit himself as to the future, but merely says that the big corporation has no present intention of reducing either prices or wages.

Not much revival of the steel industry is probable before the latter half of the year, at any rate.

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CALL MONEY

MANY have been disappointed at the firmness of the call money rate. While relatively high figures had been expected for commercial paper and time money, many believed that call funds would quickly accumulate at New York after Jan. 1.

While call money was formerly loaned on securities only, it is now loaned also on acceptances, which are a new feature in our money market, developing out of the Federal Reserve system. There is, therefore, a difference between money rates on rediscountable paper and on non-rediscountable paper. It is probable that in the course of time this difference will become less, as banks outside the Federal Reserve System become more accustomed to catering to the needs of the security markets; but at present, the banking power of the country is so largely under Federal Board control that call money on acceptances loans at New York at a rate of 6%, while call money on stock exchange collateral commands 7% to 8%.

Although the security markets are just as essential to in-

dustry as are business loans, this slight difference in rates on the two kinds of loans can make no important difference. But the new conditions require a revision of our ideas in regard to the course of the money market, and to some extent the course of the stock market also.

A speedy accumulation of credit available as call money has always been an important factor in enabling security markets to "discount" or precede future business improvement. The first surplus of credit following commercial liquidation has automatically flowed into securities, permitting them to advance considerably, while general business still remained inactive.

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CAREFUL SELECTION ESSENTIAL

THIS is far from being a time when the investor can safely "buy anything," as he could pretty nearly do in the early months of 1908 or 1915. The irregularity and uncertainty of business extends into the markets. Before committing himself to any purchase, the investor needs to consider the condition of the industry in which the company is engaged, whether it has yet rounded the turn of depression, and what its permanent peace prospects are likely to be; the position of the company in the industry, and its ability to meet its competitors on favorable terms; its financial strength and the extent to which its inventories have been liquidated; its current earnings and prospective earnings as far as they can be estimated; and the position of the particular security under consideration, in the capitalization structure of the company.

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THE MARKET PROSPECT

THE firmness of the bond market in the face of a more persistent high money rate than many had anticipated, is good evidence that the underlying factors in the situation are working in the direction of an increased supply of investment capital. Bonds and preferred stocks are still cheap. Their advance will doubtless be slow, but we do not expect any serious reactions. They should, of course, be bought for income rather than for profit, but the addition of profit to income may be reasonably expected eventually. Certain railroads are showing unexpectedly good earnings in spite of business depression. Notably among them are Chesapeake & Ohio, St. Louis Southwestern, Illinois Central, Union Pacific, St. Louis & San Francisco, and Colorado & Southern.

Of the rails in general it may be said that they resist bad news stubbornly, and that liquidation in them is light. But the railroad situation continues unfavorable, chiefly because wages are above relatively other costs and prices, and it is difficult to foresee any early relief for the roads. So long as the industry continues in this position, other securities are preferable to most of the railroad common stocks.

In most industrial issues liquidation seems to have practically run its course, and stocks have lodged in the hands of investors who are able and willing to hold them for better prices. This, of course, does not necessarily mean an early advance, but it does mean that many of these issues are cheap and that the patient holder is likely to be rewarded. Inactive markets may continue for some time, and the behavior of individual stocks may prove disappointing; but we believe the broad trend of the industrials will be upward during most of 1921.

Tuesday, February 15, 1921.

Investing in Our Foreign Trade

What Stock Buying in the "Foreign Trade Financing Corporation" Means—An Army of Investors to Be Organized

By FREDERICK W. GEHLE

ONE of the largest banks in the country has written thus to its customers in regard to the call for subscriptions to the hundred million dollar capital stock for the new Foreign Trade Financing Corporation:

"As a matter of vital national interest, as well as for your individual profit, we desire to call to your attention the Foreign Trade Financing Corporation. This company is being organized with a capital of \$100,000,000 to provide more adequate machinery for the extension of long-term credits in the furtherance of our foreign trade.

"Organized under the Edge Law, it will have a maximum credit extending capacity of ten times its paid-up capital and surplus or something in excess of \$1,000,000,000. It will function primarily through the sale of its own debentures to the American investing public. It is not intended to enter the field of our existing banks, but to supplement them by supplying more adequate facilities for long-term financing of foreign business not properly within their scope and at present not existing.

"We believe that the Foreign Trade Financing Corporation is a sound constructive effort to meet one of the most important business problems confronting us as a nation today; and that as such it merits the careful consideration of every producer, manufacturer, banker and merchant in the country, as a matter of both public and private interest.

"It is designed to furnish machinery for financing the sale of our surplus products abroad in an organization of strong resources, operated as a private enterprise, representing the agricultural, manufacturing, financial and commercial interests of the entire country, supervised closely by the Federal Reserve Board, and having for its field every section of the world in which extension of long-term credits may be considered a sound business risk. As such an organization it will have potentialities for national service as important as those of any economic movement undertaken since the establishment of the Federal Reserve System. By their scope and nature the operations of the Corporation will affect the prosperity of every man, woman and child in the United States.

"At the same time, operating as a private institution, the Corporation's first duty must be to preserve the safety of the investment of its stockholders, and to earn a fair return on that investment. The successful operation of similar debenture issuing corporations, or investment trusts, for many years abroad has given evidence of the soundness of the principle underlying its conception."

It is plain from this, and from similar letters which are being sent out by many banks of the country, that the Foreign Trade Financing Corporation presents to investors for their decision a very real

problem. While it may be said that the corporation is intended primarily to serve that section of our commercial and productive organization directly concerned with foreign trade, and that its stock should therefore be taken by banks and industrial plants and agriculturists included in this undertaking, it at the same time must not be lost sight of that the preservation of our foreign trade is a matter concerning intimately "the man in the street" in every section of the country, whether the street is lower Broadway, New York, or Main Street of a smaller western town.

Appeal to Enlightened Investors

In their appeal to investors, the organizers of the new hundred-million-dollar Foreign Trade Financing Corporation, are relying largely upon the idea of "enlightened self-interest"—with the emphasis upon "enlightened."

Its prospectus lays down the terms: "Subscriptions will be received at the rate of \$105 per share of \$100, thus providing \$100 of capital and \$5 surplus for each share subscribed. The surplus fund will provide additional safety to the shareholders and will assure a reserve for contingencies. There will be no promotion stock, nor any underwriting commission; nor will any commission be paid for the sale of stock."

In his authoritative address at the Chicago meeting, John McHugh, chairman of the Committee on Organization, stressed two main considerations that are to govern its operations—both of vital interest to the investor:

"We should emphasize," he said, "the fact that the policy of the management shall be first to safeguard the stockholders' investment." Then he added:

"We should emphasize the fact that the affairs of the Corporation must be so managed that it will be not only an emergency measure, but a permanent instrumentality for the purposes for which it is brought into being." His further comment followed with no logical break:

"We should especially strive to make every thinking man in the United States see this opportunity, and, rather than secure large subscriptions from comparatively few quarters, our aim should be to secure subscriptions from every bank and industrial enterprise in the United States."

This is a consideration of the advantages of the Corporation from the direct and individual angle. More important in its ultimate effect on business as a whole, however, and in its influence on permanent prosperity in this country, is the service which the Corporation can perform in sustaining our foreign trade and through this our domestic prosperity.

There are continually coming before manufacturers and exporters of raw materials in this country today offers from foreign countries for the purchase of large quantities of supplies on a basis of, we will say, two or three year credits. On

these credits foreign customers are willing to pay a high rate of interest. Yet because of the lack of proper financial machinery our manufacturers and producers are turning these orders down, and industry is in a period of stagnation and unemployment is rife.

From this point of view the appeal to the investor to employ a portion of his savings in the new organization is very strong. Our tremendous productive organization, expanded during the war, can only be preserved intact and without a serious burden of retrenchment, by the united efforts of the American people to maintain and develop our export trade which at the present time lacks facilities for extending long-term credits which will assist it. There is no question that funds allowing the extension of such credit are either at present available in the surplus wealth of this country or can be secured to a large extent by increased thrift and production. If this is so, and if our business is dependent upon the proper use of such funds, our investors must be educated to invest them in a way which will secure such use, and benefits to our business without which it can only halt in its suggestion.

No Overburden Contemplated

It has been objected that our manufacturers and bankers are already saturated with various forms of foreign obligations which are capable of liquidation only after an indeterminate period. The stock of the new corporation is intended to be distributed widely among every class and element in our commercial structure and particularly with those whose welfare is bound up with a stable flow of goods overseas, and this being so, the call which it presents does not seem an overburden. It may be a large order but there is no doubt of the necessity of the service the corporation is planned to render.

There have been those feeling the stricture of credit for the conduct of purely American business who have questioned this effort to segregate so much capital, and have pictured it as a serious drain on our already small reservoir. To justify itself the corporation's profits which supply the stockholders' returns on invested capital will, however, arise from the creation of new business for Americans—an intention which was written unmistakably into the Edge Act. If it follows the direction plainly marked by its organizers, it will not consider the financing of a transaction that can be effectively handled through the foreign departments of American banks; the constructive work it plans is to provide long-term credit for foreign buyers of American products, thereby increasing our business, and thus our capital and wealth.

Another hurdle for the investor has been lowered—again through the very provisions of the Act under which this and other similar corporations have been made possible. Of the total of \$105,000,000 to

be paid in, only \$25,000,000 is to be called for when operations begin. The balance may be requisitioned in installments of \$10,000,000 every two months. Thus the investor will have sixteen months in which to accumulate the funds. Considered as a present underwriting of only \$25,000,000 to be spread over the whole United States, and subsequent series of underwritings of \$10,000,000 each, spaced at two-month intervals, the Corporation's financing is entirely reasonable, even in this time of restricted capital supply.

The Edge Act limits the liability of shareholders to the amount of their unpaid subscriptions.

Stock to Be Widely Distributed

It is essential, if the ambition of the Corporation's organizers is realized, that stock control shall not be concentrated. It would best suit their purpose to distribute the stock in one-share units to a million different investors—say to a quarter of a million farmers, the same number of thrifty workers in industrial plants all over the country, another 250,000 owners, executives and shareholders of manufacturing and mining companies, and the fourth quarter of a million shares to the banks and those depositors who represent the great consuming public—if it is really possible to set them off from the rest as a class.

Through a distribution approaching as nearly as possible to the ideal, the whole question of the Corporation's original financing could be cared for out of the "sweepings of thrift"—that is, the small extra savings of men who can lay aside less than \$10 a month. Such an Army of investors, of course, would serve later as a colossal absorber of the debentures which will be issued (to a maximum, under the Edge Act, of one billion dollars) to finance future operations.

A reason for wide stock distribution which the average investor will appreciate is that in this way successful resistance is made easier to group or sectional influence toward favoring one particular project over another, or one type of loan over another, in order to stimulate a particular product or industry. If the first consideration is, in the words of Mr. McHugh, to safeguard the stockholders' investment, the exports to be financed through the Corporation must be varied, staple, and such as may profitably be handled by the foreign buyer. "Enlightened self-interest," which is to guide the executive policy of the corporation, must demand safety first of all, and the integrity of the stockholder's investment must be more important than the desire of a stockholder to market shoes or wheat in some foreign country.

Character of the Business

It will be worth the investor's while to consider the exact character of the business the corporation proposes to finance, and the basis of the security to be accepted abroad. It is to be commercial business primarily—the supplying long-term credit to foreign buyers who can show beyond peradventure of doubt ability to pay at the end of one, two, five years, or whatever term is agreed upon.

Now, the foreigner who can satisfy the corporation on this point must rely upon something older, and ultimately more

satisfactory, than any Government guarantee. He must invoke a clean commercial history, a background of business honor that will survive even political disruptions and dynastic changes. At the Chicago organization meeting of the Foreign Trade Financing Corporation, A. C. Bedford, vice-president for the United States of the International Chamber of Commerce, reflected a fairly common American view of foreign trade. He said:

"A good many people look at the foreign trade situation, I suppose, from the recollection they have or the vision they have of what has been told them about conditions abroad. That is very natural. You see a vision, perhaps, of destroyed factories and ruined fields, and of men who have lost their all during the war. It may be that, from the window of the credit man's cubbyhole, we are looking askance upon them—with more than a doubt of the soundness of their credit."

But—and Mr. Bedford left no doubt of the emphasis he placed on the point:

"If you do take that stand, there is one factor which you forget entirely—a factor that is potential and always has been potential in the financial and business world—that is, this man in Europe who wants our credit today is the same man we have been doing business with for a good many years. He is the same honest, straightforward, square business man, and just as deserving of consideration."

The necessity of long-term investment in reproductive enterprises abroad was perhaps most clearly set out by Herbert Hoover at the Chicago meeting. Pointing to the danger that under-consumption of our products by Europe will logically bring a lower standard of living in this country, due to unemployment, lower wages, etc., he said:

"There is only one remedy, and that is the systematic, permanent investment of our surplus production in reproductive work abroad. We thus reduce the return that we must receive to a return of interest and profit. As was the case with the States of Europe before the war, we must take compensation for the labor of our people in the accretion of our assets outside our borders."

"We are at that changing point in our national economics that Great Britain faced in 1860, when she could no longer take full value in commodities for the commodities which she exported. She found, at that time, that if she would continue to expand her trade and progress in her standard of living, she must invest abroad in large part the proceeds of her sales abroad. By adopting this policy, Great Britain not only extended the capacity of the world to absorb British goods, but lifted the standard of living of the whole world."

Herbert Hoover's Views

It was Mr. Hoover, also, who raised the point which will concern the investor in Edge Act corporations when he said:

"We have so far little machinery and scant personnel equipped to forge this next necessary link in our economic chain; nor can we greatly enlarge our forces along this line until our Government is prepared to give protection and support to Americans interested in the development of American enterprises abroad."

That this backing is to be furnished is indicated in the attitude of President-elect Harding. It might also be predicted as a logical development of our Government's concern with the problems of foreign trade—first concretely expressed in that provision of the Federal Reserve Act, in 1913, which made available to our exporters the "Acceptance" as a financing device and permitted the larger national banks to establish branches abroad. Further progress toward Governmental recognition of our trade interests abroad was made by the amendment to the Federal Reserve Act in September 1916, which enlarged the banks' opportunities to invest in foreign banking institutions.

Three years later, the McLean Bill became a law, permitting all national banks to subscribe up to 5% of their capital and surplus to the capital of corporations formed to finance foreign trade. Two months later, on the day before Christmas, 1919, the President signed the Edge Act, which still further extended American financial opportunities in foreign trade.

A recent compilation shows more than twenty American foreign trade corporations either operating, authorized, or being formed, with a total capitalization of nearly \$80,000,000. These were the forerunners of the \$100,000,000 Foreign Trade Financing Corporation that has now issued out of a two-years' agitation in the ranks of the American Bankers' Association.

Conduct of the Corporation

Certain lines of conduct have been laid down by the Committee on Organization of this Corporation; officially they are thus stated in the prospectus:

"The operations of the Corporation will be safeguarded by

"First, the provisions of the Edge Act which form an amendment to the Federal Reserve Act and provide for supervision by the Federal Reserve Board as required by the Act;

"Second, its ability, owing to its large capital and resources, to maintain an efficient and thorough organization for investigation of the foreign securities which it purchases or upon which it makes loans;

"Third, its nationally distributed ownership and thoroughly representative control which will assure a policy in accord with the interests of the nation as a whole, and not subject to undue influence by any one section or interest of the country."

The Committee on Organization is well known; the thirty names cover the country, and take in every important interest. They are:

John McHugh, chairman, of New York, under whose guidance the Corporation emerged from the American Bankers' Association Committee on Commerce and Marine at the national conference at Chicago on December 10th and 11th last year; Herbert Hoover, John S. Drum of San Francisco, president of the American Bankers' Association; James B. Forgan of Chicago; Paul M. Warburg of New York; J. R. Howard of Chicago, president of the American Farm Bureau Federation; Thomas B. McAdams of Richmond; Thomas E. Wilson, of Chicago; A. C. Bedford of New York, chairman of the board, Standard Oil Company of New Jersey; Lewis E. Pierson, of New York; (*Continued on page 531*)

Can Germany Pay?

Former Empire Can Economize Considerably Further Than She Has—Allied Proposal Would Force This Economy

By FREDERIC R. COUDERT

NO one can accurately fix a sum which Germany may be able to pay over a period of thirty or forty years. The best that can possibly be expected is, first, an approximation of the total amount, and, second, the fixing of such terms of payment as can unquestionably be met by Germany within the next three or four years, which, it is natural to suppose, will be her most difficult period.

Furthermore, in arriving at these latter figures, small consideration should be given to avoiding the imposing of hardships on Germany. In fixing these terms of payment, the Allies should consider only Germany's ability to meet her payments, provided the Germans are willing to make every sacrifice and economy in order to do so. It would be inconceivably unjust and inequitable to fix such sums and terms of payment as would place the hardships resulting from the War upon the Allies, more specially upon France, and Italy, while mitigating the burden for the defeated aggressors.

If we consider the amount of the indemnity fixed by the Supreme Council and the terms of payment in this light they appear to me as extremely reasonable. The capital sum demanded as of this date is, as already pointed out, very little in excess of the moderate estimates made by Americans at the Peace Conference and on the Reparation Commission. The terms of payment provide for installments during the first few years, which Germany should be able to meet without seriously affecting her economic prosperity provided she is willing to economize in her own domestic affairs, and to try, in good faith, to meet the conditions imposed.

Germany Can Economize Further

An examination of some of the figures recently given by Mr. Poincaré will serve as an illustration of the extent to which Germany can further economize in her domestic expenditures. Even amongst Germans there are those to decry the militaristic tendencies of the Government and the huge sums being spent and to be spent on an army, the size of which is in direct contradiction to the terms of the Treaty, to which Germany has acquiesced.

An examination of the German Budget will show that, up to the present, their taxes are only about one-half of the French taxes, and that they are not being

adequately collected; and further, in examining the expenditures, it will be found that they include the salaries of an enormous number of unnecessary employees. In spite of the restricted area of the new Germany the number of functionaries has largely increased. Civil employees in 1914 numbered approximately 5,500. There are today over 80,000, and, making allowance for the fact that employees who were formerly under the authority of the different German States, are now employed by the Central Government, we find an increase of approximately 25,000 employees.

Also, in the railroads and industries controlled by the State the same conditions exist. In the administration of Posts and Telegraphs there were approximately 168,000 persons employed; today,

most interesting items in the Budget is that for Naval expenditures which amounts to 531,000,000 marks as compared to similar expenses in 1913, the period of Germany's greatest Naval program, of 221,000,000 marks. The same extravagance may be seen in the Budgets of Agriculture and Labor, and we find in the latter Budget an item of 500,000,000 marks to take care of the unemployed! With these figures in mind does the first annual payment of 2 billion gold marks seem excessive?

The Proposition to Tax Exports

Much unfavorable comment seems to have been excited by the provision for a payment equal to a 12% ad valorem tax on Germany's exports. Could the natural and proper demands of the French that the assessments against Germany should not be made on the basis of her supposed exhausted condition of today better be satisfied? Moreover, is it unreasonable to suppose that, if after a period of two or three years, it is apparent that this tax is so interfering with Germany's recuperative powers that her ability to pay the fixed charges under the indemnity plan, is endangered, the whole or part of this additional tax will be remitted? Further, by enforcing this tax based on exports, it may well be that a protection will be afforded to the United States as well as to the European countries against the dumping of cheap German goods in the markets of the World to the detriment of our own exporters.

Already Germany is underbidding our own manufacturers in various parts of the World to an extent little appreciated by the general public. If this tax merely equals the difference in the price of labor as between Germany on the one hand and the United States, Great Britain and France on the other, would not this be advantageous to all concerned, excepting Germany? This would seem to be the result, as the amount of the tax will be added probably to the ultimate cost to the consumer abroad.

Justice of the Indemnity

If it is the object of those who must ultimately decide on the amount of Germany's indemnity to minimize her hardships and to help her toward an early recuperation at the expense of her victims, the amount of her indemnity including the tax based on exports may well seem excessive. If, on the other hand, it is their object to exact the maximum from Germany consistent with her reasonable economic development, and to impose conditions which will force her to economize, and to use for indemnity purposes sums which would otherwise be used for the maintenance of a large standing army, then it would seem that the amount and terms of payment have been dictated by a wise and intelligent policy.

FREDERIC R. COUDERT,

Lawyer and author, a director of the French Alliance in the United States, and Officier Legion d'Honneur. He was a special assistant attorney general in 1913-14 and government delegate to the Universal Congress of Lawyers and Jurists in St. Louis in 1904. He has practiced law since being admitted to the bar, twenty-nine years ago.

in a territory considerably less in extent than before the War, there are 205,000 regular employees and 55,000 so-called auxiliary employees. In the railroad administration in 1914 there were 300,000 employees, permanent or temporary; today, with considerably less mileage to be administered there are about 420,000 employees.

The Pensioning of German Soldiers

We find in the Budget a credit for German pensions amounting to 3,967,000,000 marks, although by the Treaty of Versailles, Germany agreed that amongst the reparations she was to make there should be included pensions for the Allied military victims of the War, etc. Is it to be wondered that the French should show signs of irritation upon discovering that payments to Germans incapacitated by the War should be set up as an excuse for deferring payment to French victims?

In the 1920 Budget the ordinary expenses for the Army exceed 2,500,000,000 marks, and in addition to this, there is an item for so-called extraordinary expenses of 1,700,000,000 marks. One of the

John J. Pulley Analyzes the Railroad Labor Problem

Questions War-Time Agreements Which Roads Cannot Now Sustain—Believes Wage-Earners Will Co-operate

Interviewed by WILLIAM McMAHON

THE President of a savings bank, especially of one of the biggest in the world, is in a position where he must know a good many things. He must know investments, securities, properties, and business conditions in general.

It is conceded by the men who make up the investment market that Mr. John J. Pulley, President of the Emigrant Industrial Savings Bank of New York, and President of the Savings Banks' Association of the State of New York, is one who is able to speak with authority on industrial questions. His address before the American Bankers' Association at Washington on October 19th last was generally praised as being a clear and exhaustive exposition of the Transportation Act, and the benefit that the railroads would derive from it.

I meekly suggested to Mr. Pulley that the rosy prophecies he made in that address had not yet come to pass. He said:

"The railroads will come out all right. Give them time. Normal conditions in all branches of industry will appear. It may be overworn by repetition, but it is nevertheless a fact that this country has the ingenuity to adjust her difficulties and to smooth out the internal kinks that may appear to retard for a time the onward march of her business affairs. At present, however, the railroads are in difficulty."

Demands of Labor

"What is the principal cause of this difficulty?" I asked.

"There are several causes no doubt. I lay the chief stumbling block to the unreasonable demands of labor. Not every one is aware of the main point of dispute between the railroads and employees. It is the dispute with reference to the series of agreements made between the United States Railroad Administration and the Labor Unions representing the railroad employees. This series is known as the National Agreement, comprising a large array of rules and regulations made to fit the time when the roads were under Federal control.

"These agreements do not affect the rate of wages so much as they have to do with the circumstances or relationship surrounding employer and employee. They deal with classifications, overtime, double time, etc., rather than the rate of wages. The enforcement of these rules would impose upon the railroads hundreds of millions of dollars of extra expense every year.

"This is a burden that the railroads cannot bear up under at this time. These agreements were made to cover war time exigencies, and instead of the agreements passing with the passing of the war, they have remained and still remain operative.

"The labor unions insist upon enforcing this body of rules which means the standardization of working conditions on the railroads of the entire country. The best thought on the subject holds that a cer-

tain standard for labor on all railroads is impracticable. Each road should have the privilege of establishing its own standard. This would seem to be the common sense way of looking at it.

"Government control of railroads added upward of 260,000 employees to the total of railroad employees in the country. In the shops the number of employees was increased from 341,000 in 1917 before federal control, to a total of 444,000. This increase was due to the National Agreement.

"In 1917 the machinists in the railroad shops cost the railroads the sum of \$317,872,549 while in 1920 they cost the railroads \$890,000,000, which increase was primarily due to the Agreement rules.

"All the facts point to the conclusion that it is impossible for the railroads to stand up under a prolongation of this intolerable situation. It makes for inefficiency. The railroads should not be re-

Commission, at the present time, is conscientiously searching for the light in regard to railroad management. The Commission has sent out a questionnaire to the different roads for the purpose of ascertaining just how they are being managed. The Commission wants all the facts bearing on rates, management, wages and all other conditions.

"When the railroads are in good shape again, it will mean the improvement of business in every direction. Successful railroad operation is fundamental to commercial prosperity, to enlarging foreign trade, to the prompt liquidation of seasonal bank credits and to the improvement of the general investment market."

Banks Own Bulk of Bonds

"Of course," I said, casting about mentally and hitting upon a bromide, "savings banks hold lots of railroad securities."

"The railroad bond holding of all classes of banking institutions in the United States amounts to over \$1,700,000,000. More than half of this is owned by the 634 mutual savings banks. These holdings, together with those of the life insurance companies, total almost \$3,500,000,000. Such holdings constitute the bulk of underlying securities. They represent the primary ownership of the road bed. This is in direct reference to banking. But indirectly, the status of the banks, the prosperity of our customers, and, in fact, the very stability of the country's economic affairs, rest upon adequate transportation facilities. Adversity in transportation means business disaster. Co-operation and co-operation, rather than discord and misunderstanding between regulator and regulated, between shipper and public, should always obtain."

War Rules Now Out of Date

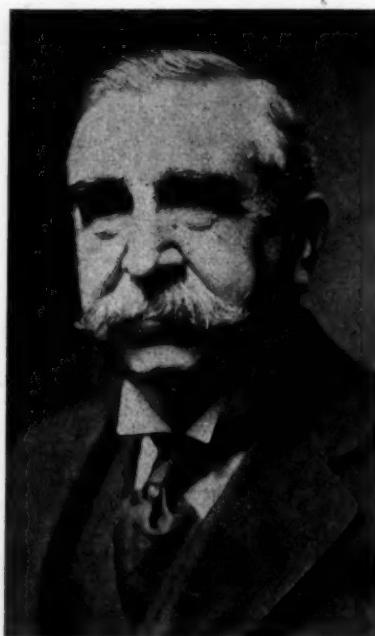
I mentioned to Mr. Pulley that referring to the labor muddle as applied to the present predicament of the railroads, it was my impression that the roads had always been inclined to uphold the principle of collective bargaining, to which observation Mr. Pulley replied:

"I am not making a plea in this matter. I do not hold a brief for the railroads. No one more thoroughly than I believes in the rights of labor. But the railroads, as I understand the situation, do not object to the principle of collective bargaining.

"Collective bargaining is legitimate enough so long as it means the exercise of the right of the employees of any one railroad company to bargain as a body with that company.

"The roads do object to a condition which makes it possible for a grievance of an employee anywhere in the United States to be adjusted in accordance with rules established solely to meet the emergencies of the war, and that this adjustment should fix a precedent for the

(Continued on page 562)



JOHN J. PULLEY

quired to deal with a nationalized organization that seeks to establish wages and working conditions on all the roads alike.

"It is unreasonable to assume that conditions are or will be exactly the same on all the roads. It is more reasonable and just to accord the right to each railroad to negotiate directly with its own men, and to make appeal to their loyalty, for in this way a healthy reciprocity of interests is promoted, and in this way only can real efficiency on the part of everyone be maintained.

"However, the Interstate Commerce

Foreign Trade and Securities

Some Opportunities in "Sterling" Bonds

Their Double-Barrelled Investment Features—A Conservative Method of Participating in Foreign Exchange Investments

By VICTOR DE VILLIERS

WE have seen the exchange of every civilized country in the world go through a turmoil of excitement and fluctuation for five years. The currency of three former leading powers, notably, Russia, Austria and Germany in the order named, have nearly been rendered worthless in terms of the dollar. The money of two of our brilliant allies, France and Italy, has been debased in terms of our own coin to an extent that confuses anyone familiar with the former status of the franc and lire.

A dozen other leading powers and a score of minor countries have been unable to compete with the dollar, which is today more than ever the "Almighty Dollar" when studied in conjunction with its friends and neighbors.

The only possible competitor in the field of money is now, as always, the pound sterling. The "pound" is, however, a gold piece slightly smaller and lighter than our five-dollar piece; consequently the pound sterling is not exactly an ideal unit to compare with our dollar, which in normal times would be equal to about four shillings and two pence of John Bull's money. The comparison is complicated by the arbitrary and somewhat clumsy British gold unit that needs a slide-rule and a mathematician to harmonize with any other coinage on the face of the earth.

Exalted Tokens of Power

The writer once had a talk with a man who had traveled extensively throughout China, Japan, India, Africa and the Americas, opening up connections and avenues of business that seemed extraordinary in view of the fact that the traveler knew but one language—plain *United States*. Selling beads on the backwaters of the Congo was as easy to him as persuading a Rajah to climb the Himalayas with a Rolls-Royce, or a "rickshaw" magnate to install ball-bearings and rubber tires in his fleet. I asked the traveler who was the interpreter.

He pulled out a handful of coins and carefully selected a five-dollar gold piece and one pound sterling. He tapped them significantly and answered laconically: "They speak any language—anywhere!"

This illustrates the exalted position in the world of the dollar and pound sterling.

On February 4, 1920, sight bills on London were quoted as low as \$3.20, a loss of about 33% of its normal value of \$4.87 per pound sterling, the low price being a record for all time—a panic so far as sterling exchange was concerned. There has since been a slow recovery, that gained

momentum after the New Year with a final rise to around \$3.98, and it looks as though a \$4 rate, or better, might soon be established permanently.

Both England and America are on a "gold basis," their currency being backed up by substantial gold reserves that always have a direct ratio in proportion to the amount outstanding. While actual gold does not completely cover their obligations toward currency, the strength and stability of these two leading nations is universally accepted as sufficient for the balance. They are both substantial creditor nations in the sense that other leading countries owe them far more money than they themselves are obligated for, and in this respect they are proof against economic panic.

Great Britain has paid off within the past year about \$2,000,000,000 in national and foreign indebtedness, and this represents about 10% of the total outstanding about a year ago. Ten years of this kind of liquidation would wipe the slate clean. In this connection, Great Britain has vast sums owing from France, Italy, Belgium and other countries, and also will receive its share of the German indemnity. When this is fixed by the Reparations Committee we may expect to see a gradual outflow of money from Europe that will find redistribution both in Europe and this country. The operation will not be dissimilar to the thawing out of "frozen credits" which ought to benefit France, Great Britain and the United States in the order named.

The course of sterling exchange depends very much upon the untangling of the indemnity and mutual debt questions which have congested Europe's finances very acutely since the armistice was signed. Most of the major powers have been "between the devil and the deep sea," so to speak, during the hand-to-mouth, *laissez-faire* period which intervened between armistice and peace day. The whole world, apparently, will get down to business when it is able to take an inventory, size itself up and find out where it stands. From that time onward, many of the exchanges should commence to show stability. The writer expects the best effect to be shown in sterling, franc, and mark exchange—also in the order named.

It is only a question of time before the present difference between the "sovereign" and the dollar will be completely wiped out.

Americans today can buy "sovereigns" for about \$3.75 that will almost surely be worth \$4.87 in a reasonable time—perhaps sooner than most people imagine.

Throughout the war they were remarkably stable, considering that Great Britain got into the war from the first day, stayed in to the finish, and financed much of the whole business.

Sterling Bonds Are Double-Barreled

Investors in the United States, armed with the strongest currency in the world today—dollars—are standing on top of the world with all its opportunities at their feet. It will not do us any good for the dollar to maintain a permanent state of superiority. Our goods have to be sold and exchanged for normal, or reasonable dollars—otherwise Europe will only be able to do "necessity business" with us. We don't want necessity business. We want the kind that is as good to give as is to receive. A one-sided contract will always end in the law courts; and a too-lucky dollar will gain more enemies than friends.

Obviously the long range buyer of sterling exchange has about everything in his favor. It looks like a clear chance to make about 33% on all capital invested, provided said capital can in turn be put to work and made to carry itself upon a 6% interest basis or more. The converted capital must be put into something that is unlikely to depreciate further and carry itself while maturing.

That something is—bonds payable in pounds sterling, either at current rates, or at the fixed rate of \$4.87 to the pound.

A double-barreled opportunity exists in a great number of sterling bonds, due firstly to the depreciation of their currency, only so far as America is concerned. To the Britisher, one hundred pounds is still £100, and he is hardly concerned directly with its equivalent in dollars. He may regard the dollar as having advanced to a big premium, that would only affect him if he were unfortunately compelled to buy some of them. The appreciated dollar has in part caused the flood of selling that has taken place in a number of sterling bonds in this country, because not even the depreciation in bonds generally from their par value has overcome the difference in exchange values. To illustrate my meaning: a holder of a £200 X bond bought at par sees a decline of 15% in its value from par, from 100 to 85. However, the dollar rose 33% above sterling, and the holder who sold in this country received dollars that were at a 33% premium over sterling.

The actual working out of the double-barreled opportunity would come about in this manner, if we take the concrete case of Chinese Government 5s, par value £200

(\$974 with sterling at \$4.87 per £), now selling at about 42. The latter figure causes much confusion among brokers and customers. For the convenience of trading £1 is regarded as the equivalent of \$5, which is very nearly the normal rate, and each £200 bond is regarded as a \$1,000 American bond. Therefore, a price of 42 means 42% of par (\$1,000), or \$420 per \$1,000 Chinese bond. As there do not happen to be any \$1,000 Chinese bonds, the £200 is the one referred to, and its real par value with sterling at normal would be \$974. The low price probably takes into account that the maturity value falls shy of \$1,000 by about \$26. The opportunity is clear with this straightening out of figures—for \$420 the American investor should ultimately receive \$974 in 1951, provided China pays, and sterling recovers itself in 30 years. Meantime the investor gets some very good interest on his investment. At a 5% issue, the £200 bond carries £10 coupons payable semi-annually. These would yield at present \$37.50 a year; with sterling exchange at \$4, the yield would rise to \$40 annually, and with sterling at normal, the income would be \$48 a year.

The investor is not bound to clip and cash his coupons while exchange is low. He can hold them either until exchange advances, or fail to clip them for a few years, in the hope that he will get full value. But, the writer would prefer to take his chance and get his income return on capital as the interest falls due, relying upon the gradual betterment of sterling exchange to cause an appreciation in his capital of \$420 to some point nearer the par value of \$974 at maturity.

Another feature to be remembered is the fact that all investment bonds are selling at a discount today. Even if sterling and dollars were on a parity at this time, and

the face value of our bonds were actually \$974, they would probably sell at a 15 to 20% discount in any event, or between 70 and 80. Assuming it will take some time for sterling to rise, and bonds of good rating to give a much lower return, these two factors will work together in every case. *Vice versa*, even if sterling stays down, the rise in bond values alone should advance all bonds of this type very substantially.

Fixed Rate and Current Rate

Many bonds, payable in pounds sterling, have a stipulation that the principal or interest shall be payable at prevailing rates of exchange, or at the fixed rate of \$4.8666 per £ sterling. (Note—the writer has used the round figure of \$4.87 to represent the decimal figures.) Where the fixed rate applies to principal and interest, the investor is not interested at all in the fluctuations between sterling and dollar exchange, he takes much less risk of the pound dropping to \$3 or lower, however remote that chance may be, and consequently pays a higher price for his bond.

A fair example of the fixed-rate type is the Argentine Nation 5-yr. 6s which were due last year, where both the coupons and principal sum were interchangeable at the option of the holder between New York and London at the fixed rate of \$4.86 per £ sterling. A more fluctuating type would be the various Japanese issues, known as "sterling" loans because the principal sum is expressed in sterling rather than dollars. In such case, the holder of a £200 bond could not get more than the exchange value of that amount at maturity, although the *interest* in every case is payable at the fixed rate of \$4.87 per £ sterling. In this particular case, an investor would know exactly how he stands at

any time regarding his income, but he would be uncertain as to what he would receive at maturity—as he would have to guess what £200 would bring in dollars at maturity.

There can be no mistake as to intention or meaning where a foreign obligation is made payable in dollars, as in the case of City of Lyons, Marseilles or Paris. In such case, the one element—a foreign investment—is to be considered.

The tabulation herewith gives some of the principal foreign bonds of this character: It is believed that the dual feature of depreciation in sterling exchange, coupled with the additional advantage of a bond market that is much below normal levels calculated purely on an interest return basis, gives the investor who is wide awake and imaginative, a good chance to invest in bonds coupled with a speculative interest in "foreign exchange"—in the most stable exchange outside of the dollar. It would be sound investment practice to place a portion of one's investment funds in selected foreign bonds because they are selling at a considerable depreciation compared with our own bonds, for reasons which, the writer hopes, are apparent.

Very often, the low prices are not a reflection of soundness or otherwise. No one can seriously question the ability of such nations as Great Britain, Japan or the Argentine to pay their debts. In the Chinese bonds we have the speculative element of politics, misunderstanding, exigency of former holders, and the very long distance that separates Hong Kong from Hoboken.

Our Own Corporations in Europe

There are several notable instances where American corporations have done considerable financing in Europe in the days gone by, and issued bonds convenient

(Continued on page 576)

ATTRACTIVE STERLING BONDS

Debtor Corp. or Government	Coupon (Int. rate)	Int. Due	Denom- inations	Payable at rate	Where Listed or Sizable	Highest Price in 1914	Present Price	Yield* Approx.	Security	Relative Rating	
	%	Feb. 1 Aug. 1	£200	Current rate of exchange	London S. Ex. over the counter Same	Par	74	7%	British Government		
British Government (internal) War Loan 4 ser.....	1929	8	June 1	£200	Current rate	Par	67	7½%	Same	A1	
British Government (internal) War Loan	1947	8	Dec. 1	£200	Current rate	Par	62	7%	Same	A1	
Victory Loan	4	Mar. 1	£200	Current rate	Same	Par	62	7%	Same		
Argentine Govern- ment	1945	8	Sept. 1	£200	Principal and interest	N. Y. S. Ex. London Ex.	95	7½%	Sinking Fund 1% an- nually.	A1	
I m p. Japanese Govt.	1925	4½	Feb. 15	£100	Principal interest	N. Y. S. Ex. London S. Ex.	90%	8½%	Rewards from tobacco trade of the Empire. Prior in lien to the 2d series 4½%.		
I m p. Japanese Govt. (2d series) ..	1926	4½	Aug. 15	£200	Fixed rate	N. Y. S. Ex. London Ex.	89%	8½%	Second charge in sub- ject to 1st 4½%.	A1	
I m p. Japanese Govt.	1931	4	Jan. 10	£200	Interest payable	N. Y. S. Ex. London Ex.	89%	8½%	A		
I m p. Japanese Govt.	1931	4	July 1	£200	Fixed rate	N. Y. S. Ex. London Ex.	80	8½%	Interest at fixed rate		
I m p. Japanese Govt.	1931	4	Jan. 1	£10	Interest at fixed rate	N. Y. S. Ex. London, Paris, Berlin	80	8½%	First charge not rev- enue on trams and electric services.	A	
City of Tokyo (Japan)	1952	5	Mar. 1	£20	Current rate	N. Y. S. Ex. London Ex.	90	5½%	General charge other city revenues.	A	
Chinese Ry. (Hu- Kwang)	1951	5	June 15	£100	Current rate	N. Y. S. Ex. London Ex.	90	4½%	Sinking fund 1922. Di- rect Govt. obligation.	B	
Ohio, MIL & St. P. & L. (European Loan)	1925	4	June 1	£219.15.6d	Current rates or 500 fcs. 2500 fcs.	Listed Boston, Paris, Sells "over counter."	85	50 (flat)	10%	"Legal" for Savings Banks.	
Central Pacific (European Loan). 1946	4	Sept. 1	500 fcs.	£219.15	Current rates	Listed Paris, Boston, Sells "over counter."	85	62	9%	Name as Genl. Refg. as a mortgage.	A
										Guaranteed by South- ern Pacific; under- lying collateral also pledged.	A1

* Yields fluctuate with rate of exchange and par values. Attempt is made to give nearest approximation in round figures based on current conversion rates.

Sharp Advance Possible in English Textile Prices

Wool and Cotton Seem Likely to Respond Quickly to Trade Revival—What the Wool Realization Company Will Do

By MAX GOLDSTEIN

Traveling European Representative of THE MAGAZINE OF WALL STREET (Writing from London)

THE British textile world is confronted at the present time with two serious problems, one relating to wool supply and the other to cotton supply, and both arising from similar causes.

In the case of wool, the British Government has been asked by the Australian Government to turn over to a new company Australia's half of the surplus wool stocks on hand, which amounts to 900,000 pounds, and also the unpaid cash representing profits on the Wool Purchase Account. The new company is to be known as the British-Australian Wool Realization Company, Ltd. Every Australian grower will hold shares in this company in proportion to the amount of wool he sold to the government in accordance with the war agreement.

So far Australia remains strictly within its right according to its agreement with England, made in time of war, to assure a steady supply of wool. According to these terms, Australia is entitled to one-half of the profits on the sale of wool, and one-half of the wool remaining unsold at the time the Wool Purchase Account shall be liquidated. So far it has received £6,500,000 as its half of profits accrued to March, 1919, and profits made since then together with an arbitrary valuation of the stock of unsold wool are estimated to leave £56,000,000 as the sum that Australia has still to receive.

Australia goes a step beyond this, however, and asks Great Britain to turn over its half of the surplus wool stocks, also amounting to about 900,000 bales, to the Realization Company, so that the new company will have full control of all the old clip wool now held by the British government under the wartime control agreement.

Much Misunderstanding

Several misconceptions should be cleared off first, as a wrong impression has been created in many quarters. The company is to have nothing whatever to do with the new clip wool, which is to be marketed through the ordinary channels, namely, the Australian and London auctions. The capitalization of £25,000,000 does not represent the market price or any other price for the wool, as has been charged; it is simply intended to supply sufficient working capital for the company in addition to the cash representing actual profits which it is entitled to receive from the British government.

The company is really supposed to do two things: finance the holding of the old clip wool, which cannot be marketed at the present time; and advance money to needy Australian sheep-farmers, who would otherwise have to sacrifice the new clip wool at any price they could get. It is also said in its favor by Sir Arthur Goldfinch, Director-General of Raw Materials, that it would facilitate the breaking up of the government department now charged with wool sales in accordance with the popular clamor for "no waste."

Opponents of the scheme point out that the government has made tremendous profits already out of its wool operations, having made over £42,000,000 clear profit out of a turnover of £137,000,000. Therefore, it is argued, now, when the textile industries are suffering is no time to hold up profits for Australian wool-growers at the expense of English manufacturers. It is also urged that the plan takes no account of the fact that wool will deteriorate with long storage.

As for the "needy Australian sheep-

men at the normal rates of consumption.

Of course wool is growing on the sheep's backs while the controversy is going on, and if no solution is reached on the problem of disposing of the old wool, in a few months the new wool clip will automatically settle the problem by taking care of all current needs at their present reduced rate and leaving the government, or the new company, or whoever holds the wool, with a lot of unsalable and deteriorating merchandise.

What complicates the situation is that Australia, under the terms of the war-time agreement, has a right to be consulted on the disposal of wool for civilian purposes, though the final power of veto rests with the British government.

Organization of the Company

On the board of directors of the proposed company, five men are to be chosen by Australian Wool Growers' Conference, while four are to represent British interests.

It is practically certain that Sir John Higgins will be one of the Australian representatives on the board if the plan goes through. Sir John's views on the subject of wool control are very decided and well known, and it is this perhaps more than any other one thing that disturbs British wool-consuming interests.

Early last year, long before the smash came in the textile industries, Sir John Higgins was urging the wool growers of Australia to unite so as to maintain the price of wool at high levels, and was conducting an active agitation for the suspension of the London wool auctions for at least six months. Obviously the result of this would be to gag the biggest free competitive market for raw wool in the world, and would so put the control of wool prices in the producers' hands.

That is why British textile manufacturers tend to distrust the official promises that the new wool clip will not be interfered with by the new company. They fear that the company will use its resources to finance the farmers of Australia in holding back practically all the new clip wool from the market, which will have the same effect as if they had the nominal control of the new clip as well as the old.

A London City man with large interests in Yorkshire mills informs me that at the bottom of the trouble is the government's policy of the last seven or



Photo, Brown Bros.

THE FAMOUS TEXTILE STREET IN LONDON

One of the unique thoroughfares of the world, each side of the street lined with the warehouses of textile companies

farmer" Sir Arthur speaks about, a Bradford mill-owner pointed out to the writer that, considering the enormous profits the wool-grower has made in the last three years, there is no warrant for his now seeking any further financial assistance than has always been available in the usual Australian sources.

My informant regards the scheme as nothing more nor less than an attempt to force up prices or hold them up artificially by keeping off the market 1,800,000 bales of wool, or enough for about ten or eleven months' require-

eight months of holding wool off the market by putting a high price on its reserve stocks. As long as the Australian price remained high, this course was intelligible, as otherwise the government would have seemed to be underselling the Australian market in order to furnish British manufacturers with cheap wool. When the Australian price itself declined sharply, however, the government refused to lower the price it set on its reserve stocks, raising the suspicion in many quarters that it was "profiteering" in order to make a good showing. This failure to follow the course of world prices, said my informant, made it lose a chance to sell hundreds of thousands of bales of wool at prices which will not be seen again in all probability for a long time.

The facts of the case are that on June 30, 1920, the government held 2,905,554 bales of wool of all sources, while by the end of December, 1920, the stocks had been brought down to 1,522,400, of which 800,000 bales were Australian, 720,000 came from New Zealand (which will have to be disposed of totally apart from the Australian stocks), and 2,400 from the Falkland Islands.

The biggest single sale that the government has actually made so far was one of £820,000 to Austria, while it is understood that an order of 35,000 bales from Poland for £1,150,000 is pending the completion of arrangements for financing by means of Polish bonds as security.

Trade Recovery Ultimate Hope

At best, though, such steps are mere palliatives. The only thing that could really get rid of the huge surplus stocks of wool not to speak of the new clip, would be a revival of trade demand from the British textile industry, which is capable of consuming on the average some 2,500,000 bales a year, with much more, the manufacturers say, should trading with Russia begin.

At the present time, the English textile industry could stand a good deal of improvement. From the wool market end, the London auctions of the last few weeks have been leaving about four-fifths of the stocks on hand unsold. In Australia, naturally, while the negotiations for the formation of the Wool Realization Company are pending, there are no auctions at all, none being expected till February at the earliest.

Unemployment in the mills continues to increase, and will spread as one mill after another completes the orders on hand and finds itself unable to attract new business. Practically four-fifths of the mills in the North are working on half or part time, if not altogether shut.

In spite of a perfunctory recommendation of the government plan for the formation of the new company, by the British Wool Federation, the general opinion among the textile men interviewed by your correspondent is that the plan will have little real effect while depression continues, but when demand becomes active again it will

have the effect of causing a sudden leap in prices, both of raw material and finished goods.

Egyptian Cotton Reduction

In the cotton branch of the textile industry, a problem similar to that of wool is raised by the announcement that the Egyptian government has issued an order that agricultural districts should devote not more than one-third of their entire acreage to cotton planting.

Of course this is very different from a reduction of the cotton acreage or crop by one-third, or to one-third, as the original reports ran, and in point of fact a cotton authority in London assures your correspondent that in 1914, when Egypt produced a huge crop of cotton, only one-third to one-half of the entire available fertile acreage was planted to cotton.

According to the Egyptian government, the measure is only a return to normal in methods of cultivation, will have the effect of leaving the soil fertile for future crops of cotton, and will not cut the available supply to speak of.

If the supply was not to be cut, however, why should any such measure be taken at all? was the question that naturally suggested itself to the writer, and so the views of various men prominent in the textile world of England were solicited.

Their opinion seems to be that the Egyptian crop for next year will be cut by 500,000 bales of 400 pounds each as a result of the government order. This cut, coming on top of the announced reduction in the American cotton acreage, seems to them to argue worse things in store for the Northern mills when they run through their present supplies of cotton. Of course, as very little new business is being done, this will take some time, but it is a great question with them whether they may not find themselves confronted by a sharply rising market for cotton, American and Egyptian, while business is still slow and potential orders may be driven away by the higher prices for cotton goods which will necessarily have to be quoted on the basis of the higher cost of cotton. Should general prosperity revive by that time, of course, it will not matter so much, but they fear that the new price adjustment will have to come before they are all through with the present slump.

India's Attitude Not Encouraging

The attitude of India, which Great Britain relies on heavily to take care of part of its cotton goods output, is scarcely encouraging. The Bombay Piece Goods Merchants' Association has cabled the Manchester Chamber of Commerce that it will close the auction sales of cotton goods, thereby imposing a practical embargo on foreign cotton goods, until its members have disposed of the heavy stocks on hand which they bought at considerably higher prices than those now prevailing.

This means, of course, that it will take them much longer to dispose of

their stocks at the higher level, and in the meantime there will be no orders forthcoming at the new and lower level, or at any other, from this source. This attitude is duplicated in the position of the English retailers, who are refusing to cut their paper losses on their stocks of cotton goods, but by holding up the prices are making present quotations merely nominal, as no business worth mentioning is being transacted. By the time they enter the market again, mill men tell me it is highly probable that they will be confronted with a higher price level based on the expected higher cost of cotton. In that event, having had their fingers burnt once, they will probably go slow about ordering again, which would mean that the present depression in the English cotton industry would probably continue, except on a higher price basis.

The paradoxical feature of the situation is that, while the long-established Egyptian plantations are cutting their cotton acreage, Great Britain is moving heaven and earth to encourage cotton cultivation in Nigeria, Uganda and the Sudan, which are producing less than 40,000 bales of long-staple cotton of the fine Egyptian type among them.

In the meantime, Lancashire cotton mills are in about the same position as the woollen mills—plants are closing down, reducing hours or informing their workpeople that they are to be on a day-to-day basis, subject to discharge on a day's notice.

The Fundamental Situation

The fundamental situation in both wool and cotton is that in times of depression there is an antagonism of interest between the producer and the consumer of the raw materials which is not present in times of prosperity. England is the great consumer—it's textile industries, next to coal mining, originate the largest part of the volume of export trade. The slump in the industries having affected the raw material's price severely, the producers are now up in arms trying to hold down supply or production, which is future supply, and the British government can do nothing in the matter owing to political and Imperial considerations.

The outlook in both wool and cotton is that with an increase in trade activity there will come a sharp increase in price, beginning with the raw material because of the artificial forces now being employed to sustain or force up its price. The only difference is that in the case of cotton the increase in prices may come even before a significant increase in trade activity, and if so, will tend to check the latter.

PERSONAL INCOME TAX LAW

Guaranty Trust Company of New York has issued a booklet on the New York State Personal Income Tax Law. Besides the full text of the law as amended in 1920, with the amendments shown in *italics*, the booklet contains a digest of rulings issued by the State Comptroller which are deemed to be of most general importance.



The World's Business



Germany's Trade Ambitions—Our Growing South African Exports—Mexico on Gold Basis

GERMANY CONCENTRATION AFTER WORLD MARKETS

C of industry is the keynote of German industrial reorganization. There has been recently a consolidation of the Stinnes Coal and Iron Trust with the Siemens-Halske Electrical Company, whereby 200,000 workers are controlled by one concern. In banking also there is consolidation, notably in the merging of the Deutsche Bank with the Hannoveresche Bank, the Braunschweigische Bank, the Gothaische Bank, and several others with an increase of capital of 125,000,000 marks. Most of the banks are declaring substantial dividends to stockholders.

To make a long story short, Germany is going out after the markets of the world. Many economists in this country see a disadvantage to American trade in such expansion. Germany is able to produce at lower costs than we. The causes of this are the limited factory rents in Germany, state-subsidized food and low railway freight rates. Besides, German manufacturers have an advantage over the manufacturers of other countries owing to the low value of the German mark. If Germany is able to sell her products to nations whose currencies are at a premium as compared with the mark and can obtain her imports of raw materials from countries like those of Eastern Europe, including Russia, whose currencies have a low value, she is in an advantageous position.

On the other hand, many American economists hold that it would be a blunder to deprive Germany of any advantage that she may be able to acquire legitimately in the markets of the world. They hold that it is obvious that the rehabilitation of Germany's foreign trade is important to a country poor in natural resources and faced with the necessity of paying an enormous war debt and a large indemnity fixed by the Allies. These authorities point out that in order to develop her industry, Germany must have copper and cotton and other materials from the United States.

For eleven months ending November, 1920, the United States imported from Germany merchandise valued at \$84,000,000, compared with \$10,608,141 for the entire year of 1919. Germany imported from the United States in the eleven months ending November, 1920, merchandise valued at \$253,000,000 compared with \$92,761,314 for the entire year of 1919.

Under the reparation terms agreed upon, Germany would have paid to the Allies

\$10,560,263 on her trade to the United States, this sum equaling the 12% tax which it is proposed to impose on Germany's exports. Proportionately the increase in the volume of trade with Germany was greater than that of any other country last year, but the trade was still far short of that of the pre-war period.

The December exports to Germany, \$58,439,000, compared with \$17,297,000 the same month the year before, while imports were \$5,666,000, as against \$2,480,000 in December, 1919.

It is reported that there are thousands of German salesmen hard at work not only in former neutral countries, but in all the European and Asiatic countries with which Germany was at war. These salesmen are able to offer low prices and long credit, and promise quicker deliveries than their competitors. Over and above this activity, buyers from many of the larger nations are now in Germany placing substantial orders for motor trucks, dyestuffs, toys, iron and steel products, pianos, glassware, knit goods, sewing machines, electrical goods, and many other items.

AUSTRIA'S EXPORTS CRUMBLE

FIGURES have just been obtained concerning Austria's commerce for the last six months of 1919. During this period imports were about four and one-half times greater than exports, and the 1920 figures are expected to be even more unfavorable.

Imports amounted to 2,000,000 tons against exports of 450,000 tons. The importation of coal and foodstuffs was the chief reason for the unfavorable balance. For 1,200,000 tons of coal and 236,000 tons of cereals, there were no offsetting exports. Also, there were imports of 61,000 tons of sugar, 92,000 tons of vegetables and fruits, 25,000 tons of fats and oils, and rather small quantities of meat, cattle, and other items of food.

The most important exports were paper and paper goods, of which 31,000 tons were exported, against imports of 12,800 tons, 32,000 tons of magnesite, of which about half went to the United States, and 7,200 tons of wooden goods, against 2,600 tons imported.

There is practically no market in Austria for gas engines and steam engines. Austria makes her own locomotives, and progress is noted in the manufacture of water-power machinery. The country has a pressing demand for textile machinery and mining machinery. The latter, espe-

cially, should be in demand because rich coal deposits are being discovered.

Austria also needs casting machinery. Very soon there will be a demand for dairy equipment,—separators and the like. Pumps, compressors and ventilators are manufactured in Austria, but the quality is inferior. There is no domestic manufacture of refrigeration machines.

ACTIVITY IN GREECE

BY reason of recent peace treaties, Greece has added materially to her territory, and, in consequence, her power of production has increased, notably in reference to grain, raisins, figs, tobacco, etc. Greece now has a population of 7,156,000, which means a greater capacity for absorbing foreign manufactured goods. Much improvement will have to be done, however, in the newly acquired territory. There will have to be modern agricultural methods inaugurated, new railways, highways laid out, swamps drained and rivers dredged. Mining should be given some attention. Harbors need improvement. Housing facilities are very poor in the new territory, and all these and much more afford an opportunity for private enterprise.

During the war, old Greece made considerable progress. The number of her factories increased since 1919 by 63, of which 30 manufacture food products; two, building materials; eight, machines; twelve, wooden goods; two, leather; six, chemical products; one, tobacco, and one, electrical goods. Nevertheless, industrial activity has not been as great since the war as was anticipated, owing to delays and irregularities in delivering machines ordered abroad, and to the lack of raw materials.

In 1919 and the first half of 1920, the commercial activity was very great, on account of the favorable rate of the drachma. The stocks of goods which had been absorbed during the war were replenished and during the first nine months of 1919 Greek importations reached the record height of more than a billion drachme. For some months there has been a falling off. Some of the large warehouses are filled with goods for which no market can be found, or no immediate market.

The United States, which from 1915 to 1918 held the leading position in Greece's foreign trade, has gradually lost this leadership to Great Britain, which is putting forth every effort to control the Greek market. In 1918, a British Chamber of Commerce was established in Athens.

France is also getting active by way of founding French Chambers of Commerce and schools of business, and taking stock in Greek banks and industrial corporations.

The United States imported from Greece during the month of November, 1920, merchandise of the value of \$1,-

ing cheaper at soft goods auctions, many of which have been held recently. Unemployment is worse, particularly in the leather trade. Several coastal factories are closed and others are on short time."

Mr. Isaac F. Marosson, who spent some time in South Africa and who made an address recently before the American

MEXICO ON GOLD BASIS

IN spite of the industrial depression, which is general throughout the world, Mexico has gone ahead and is gradually pulling herself together in a manner which is praiseworthy.

Most of the troubles of the world are

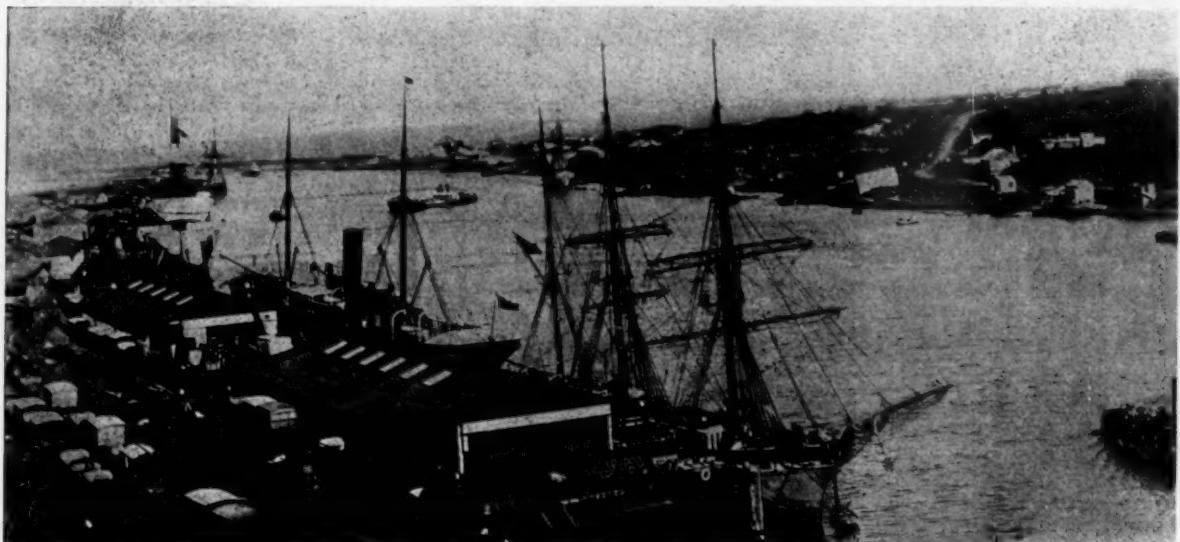


Photo Brown Bros.

ALONG THE DOCKS AT CAPE TOWN

This is the Chief Port in South Africa, Its Exports of Diamonds and Bar Gold Totalling 70% of the British Colony and Having for Its Only Rival in Imports the City of Port Elizabeth on the Indian Ocean.

394,995, and in the same month in 1919, \$2,196,459. We exported to Greece during November, 1920, merchandise of the value of \$4,057,759, and in 1919, \$7,410,041. During the 11 months ending November, 1920, the United States imported from Greece merchandise of the value of \$19,278,039, and exported \$35,761,596. During the 11 months ending November, 1919, our imports from Greece amounted to \$26,834,521 and exports to \$39,051,466.

SOUTH AFRICA OPENINGS

THE trade of South Africa for the first ten months of 1919 and 1920, including raw gold from the export figures, was as follows:

	Imports	Exports
1920	88,000,000 lbs.	38,000,000 lbs.
1919	44,000,000 "	39,000,000 "

The South Africa imports from the United States include automobiles, motor trucks, motor cycles, rubber, tires, etc. The latest reports indicate that the excess of imports over exports continues to increase. In November imports totaled 9,200,000 pounds and exports, including native gold, 1,900,000 pounds.

The National Bank of South Africa says in a recent report, "Merchants are experiencing difficulty in moving stocks and financing arrivals, which have doubled owing to the unexpected execution of back indents, and the delivery earlier than anticipated of current orders. The opinion in an authoritative quarter is that the country has over-bought in a reckless manner, and some months must elapse before the excess goods are digested. Smaller retailers are refraining from buying through the usual channels,—possibly they

are filling their requirements by purchasing. Manufacturers' Export Association, sees good things ahead for our trade in that section of the world. Mr. Marosson said, "Nowhere has the American exporter a richer field for development than in South Africa. South Africa, and particularly Rhodesia, is distinctly American in spirit and energy. If the American manufacturer is wise he will redouble his efforts out there. We need representation for our banks and branch plants for our factories on the spot. More frequent passenger sailings between New York and Cape Town would greatly expedite what must inevitably become an important and considerable commercial relation."

America is sending a great deal of mining material over to South Africa. In a report sent to the Federation of British Industries, it is stated:

"American capital has been put into development work and a number of the principal officials and engineers on the mines are Americans. The United States is making a strong bid for the solid drill steel trade, and now commands the market. Sweden is also a competitor in this trade, but Sheffield, with its superior quality, may be able to supplant American hollow drill steel. In pumps, rock drills, tools, electrical machinery, and belting America is well established."

America should have agency arrangements and better representation on the ground, and not depend so much on correspondence. Catalogues and price lists do not prove fruitful of results in the South African section. Many foreign firms are represented in the market by manufacturers' agents, and any one trying

to do business by correspondence is naturally at a disadvantage.

financial at heart. Credit has been used to such an extent that the supply has become exhausted. Being without credit, Mexico's various governments of the recent past have been unable to borrow, and hence the present government has no debts to pay. It is the only country on a strictly gold basis, and this fact has practically removed the question of exchange rates from business transactions between Mexico and this country. This factor should appeal to American manufacturers, exporters and importers. With freedom from the fluctuations in the value of other currencies measured by the dollar which makes business so hazardous at this time in many parts of the world, Americans and Mexicans are able to enter long-time commercial commitments with assurance that a turn in the exchanges will not wipe them out.

Here are the unfavorable things about Mexico: There has been some closing down of smelters. In December the price of silver dropped at an alarming rate. The cotton crop was less than normal, and part of it was sold at prices below the cost of production. Bank rates were raised, money became tight towards the close of the year 1920, and finally the banking company of Paris and Mexico went into the hands of receivers. The Mercantile Banking Corporation closed its doors. Mexican ports were badly congested and the railroads were hampered by lack of equipment. Unemployment and labor troubles began while the cost of living increased. It was reported the last of

(Continued on page 554)

The Bond Market

Suggestions to Investor in Securities of This Type—Two Recent Offerings Analyzed

By J. L. CHEATHAM

IN this country there comes into existence every year a huge fund of money which is available for investment. This fund is composed of the savings and the surplus profits of the people and of corporations, and runs into many millions of dollars. How to invest these sums wisely and well so that they shall be saved and added to the permanent estates of the possessors is a subject worthy of careful study.

That the whole of this annual amount can be saved by everybody is, at the present time, highly improbable. Much of it will be locked up in investments which will afterward decline in price, and much of it will be actually lost both in securities and in business enterprises, and will never return to the original owners. However, there is no question that those who are thoroughly versed in the science of investment have it within their power to save all they make and to lose no part of their new investment funds but, instead, add steadily to their capital.

Both speculation and investment emanate from the same motive—the desire for gain—but the difference between the two is in the degree and character of risk involved. Both investment and speculation are necessary to the conduct of our business and to develop our great business structure, and there is more or less speculation in every investment and investment in every speculation.

Bonds the Best Investment Medium

To the conservative man investment appeals, and there is probably no better medium for the employment of his surplus cash than bonds. There are numerous other channels in which he could place his money, but perhaps none will give him greater freedom from care, larger return commensurate with safety and more flexibility than carefully selected bond issues. A bond is an evidence of a loan and the holder thereof receives, for the use of his money, interest at regular intervals, and the return of his principal at the end of a stated period of time. The bondholder is a creditor, and has no share whatever in the business. As long as his interest is paid regularly and the covenants of the issue are lived up to, he takes no part in the management.

Security of Principal

The most important feature in investments is the security of principal. Safety is the cornerstone of success in every security transaction, and this fact cannot be repeated too often nor can too much emphasis be laid upon it. Nevertheless, "safety" as used here, does not mean absence of risk entirely, but only that this risk is not exceptional or out of line with the general principles of investment. In other words, if a man invests all of his funds in government bonds, which are as near perfect safety as it is possible for securities to be, he is tying up his money in low-yield issues and is to a certain extent limiting the earning capacity of his funds. It would pay him in the long run

to diversify his holdings, say among the bonds of ten important companies in various fields of business, as: industrials, railroads, public utilities, etc. Even though one of his investments did go wrong (and this should not happen with expert selection), he would be securing a much higher yield on the rest, and the total aggregate amount would be larger than with the smaller income. If any judgment at all was used, the loss would not be a large one.

To state it another way, safety should be applied in the broad sense and applies to each investor in different degrees. Closely akin to safety is stability of income. Uniformity and promptness of return are indeed important factors.

Importance of Marketability

Another feature influencing the bond is its marketability. It is possible to get a greater income return than the standard without loss in security if one will sacrifice other advantages. Most bondholders demand a higher degree of marketability than they really need. There is a demand among a certain class of buyers for "listed" bonds, as though listing created a market for the issue. Very often a listed bond will show great fluctuation in price during panics for no other reason than that holders see quotations sagging and they become afraid and dump their investments on the market, causing a further reaction, while unlisted bonds hold nearer their true investment value.

When a bond has actual value and good yield behind it, there is always a ready market. As a rule, the investment house

which placed the issue originally—especially if one of high rating—will find a market. With its wire connections to all principal centers, it is in closer touch with the actual market than the exchange; in fact, the bonds traded in "over the counter" total more than the exchange transactions, except for a few exceptionally active bonds.

Selecting Your Bond House

Right here it is important to emphasize the necessity of dealing with an investment banking house of the highest rating. Even though the new investor may endeavor to be careful in his selection, he has not, as a rule, had the training, nor is he in the position to get the detailed information necessary to determine the quality of the bond offered. The large bond houses of the present day have trained experts to examine all phases of the situation, since they invest their own funds in underwriting the issues which are afterwards offered for public subscription. Their policy is developing more and more toward becoming the financial advisers of their clients and they realize that both their own and their clients' interests are identical.

Recent Offerings

At the present time many attractive offerings are being made. A typical group is shown in the table herewith. In the space at our disposal it is possible to review only two of these offerings.

The American Agricultural Chemical Company has recently sold through an

(Continued on page 562)

CURRENT BOND OFFERINGS

<i>Government, State, Municipal.</i>	<i>Maturity.</i>	<i>Offering Price.</i>	<i>Approx. Yield To Maturity.</i>
*Town of N. Hempstead, N. Y., School 5½s	1932-53	To yield	5-4.90%
*City of Dayton, O., Water 5½s.....	Feb., 1951	To yield	5.10
*State of Maryland Serial 4½s.....	1924-36	To yield	5.30-4.90
*State of Washington Gold 5½s.....	Feb., 1941	102.70	5.15-5.50
*State of North Carolina 6½s.....	Feb., 1942	To yield	6.00
*State of Delaware Highway 4½s.....	Jan., 1961	93	4.90
*City of Toledo, O., School 5½s and 5¾s..	1922-1961	To yield	5.75-5.15

Public Utilities and Railroads.

Paris-Orleans Railroad 6s.....	To 1956 (a)	.....	65.50 (b)
†The Empire District Elec. Co. 8s.....	Nov., 1949	100	8
*Long Island R. R. Co. Eq. Tr. 6s.....	1921-1932	To yield	6¾
*M. St. P. & S. S. M. Eq. Tr. 6½s.....	1926-35	100-101	..
*Mil. Coke & Gas Co. 1st 7½s.....	Feb., 1933	98	7¼
†Okla. Gas & Elec. Co. 8% conv. notes....	Feb., 1931	96¾	8.50

Industrials.

†Davison Chemical Co. s.f. 8s.....	Feb., 1936	98½	8.20
*Gulf Oil Corp., s. f. 7s.....	Feb., 1933	98	7.25
†Amer. Agric. Chem. Co., f, 7½s.....	Feb., 1941	97½	7.75

*Smallest denomination issued \$1,000.

†Smallest denomination issued \$100.

‡Smallest denomination issued \$500.

a By drawings.

b Per 1,000 francs.

Business Getting Its Breath

Quieter Conditions—Wholesale Prices Steadier, Retail Falling—Production Greatly Curtailed

By G. C. SELDEN

THE really startling feature of the nine economic graphs herewith continues to be the unprecedented collapse of commodity prices. The fact that American business has withstood a decline of 40% in prices of both commodities and industrial stocks within nine months, without the development of serious trouble in any quarter, testifies more loudly than any language to the stability of our trade and financial structure.

The fall of stock prices was checked in December, and in January the decline in commodities slackened quite decidedly so far as wholesale prices were concerned, although retail prices dropped faster than before.

Wholesale prices will doubtless reach a little lower average before turning, as there are some articles which have so far fallen but little. In steel, for example, some of the independents are beginning to cut below the U. S. Steel Corporation's level, and crude oil has suffered a further slash since the Feb. 1 price indices were compiled.

Cost of Living Falls Too

An encouraging fact is that retail prices on many articles have now declined enough so that buyers notice the difference. In New York, butter at 53 cents, eggs at 45, a fair grade of coffee at 25, good Ford tires below \$10, have a tendency to cheer the "ultimate consumer" and induce him to relax somewhat his exasperated grip on his purse.

As predicted here last month, U. S. Steel's unfilled orders, iron production and coal production have all fallen sharply, and appear to be due to drop still further. In fact, U. S. Steel's orders are not likely to achieve any permanent reversal of

trend before the middle of the year, and the same may be said of iron production. There is, perhaps, more uncertainty about coal.

Copper ought to be "stabilized" around 13 cents by the plan for financing stocks on hand by the issue of 8% notes, and some rally would not be surprising. But the big stocks of copper will still hang over the market, though not so directly and threateningly as before.

Our big December balance of trade was very gratifying. It was accomplished by a liberal extension of foreign credits and at the same time a cutting down of our purchases of imported goods. The drop in our price level and curtailment of our production had their natural effect on both exports and imports.

The aggressive action of American bankers in the promotion of the Foreign Trade Financing Corporation will almost certainly result in very substantial assistance toward maintaining our exports. At the same time, I don't anticipate the permanent establishment of our monthly balance above \$400,000,000. That looks too good to be true. If that were to keep on, in addition to the big interest payments due from abroad on our tremendous foreign loans, we should eventually own the entire earth.

Money Rates

The slow decline in time money rates during the last four months is indicative of a broad trend. Bank loans to farmers will undoubtedly be cut down a good deal by the end of March, and this will have the effect of not only permitting easier money rates but also encouraging the forward movement of grain and cotton, both of which have been held back because of

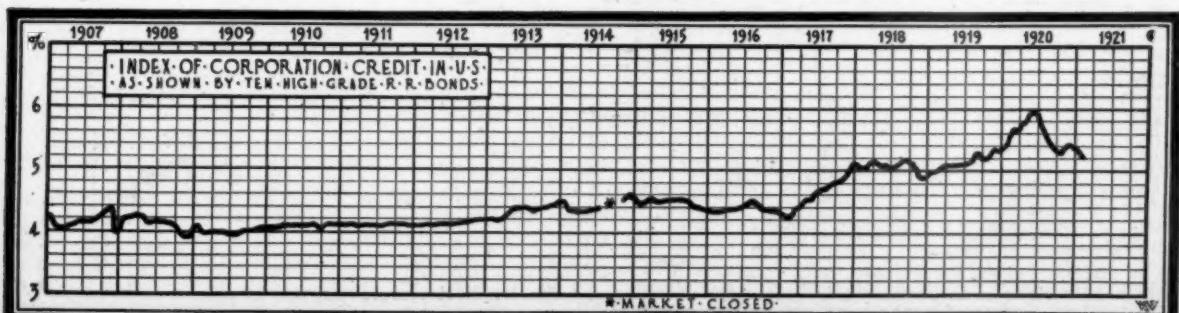
low prices.

Naturally, the farmers cannot expect the banks to carry their crops for them indefinitely. Many farmers' loans date from March 1. If they are already borrowing heavily to carry last year's crops, their banks will be coy about advancing still more money with which to raise more crops. The old crops will have to move to make place for the new, and this should have a good deal of effect in loosening up the situation generally.

With our new bank system, which cushions the fall of money rates as well as their rise, we should not expect any such quick fall as occurred, for example, early in 1914. Also, there will not be the same speedy accumulation of call money at New York, because money as it accumulates in outside banking centers is applied to the reduction of rediscounts and the purchase of acceptances, instead of being, as formerly, sent at once to New York to be loaned on stocks.

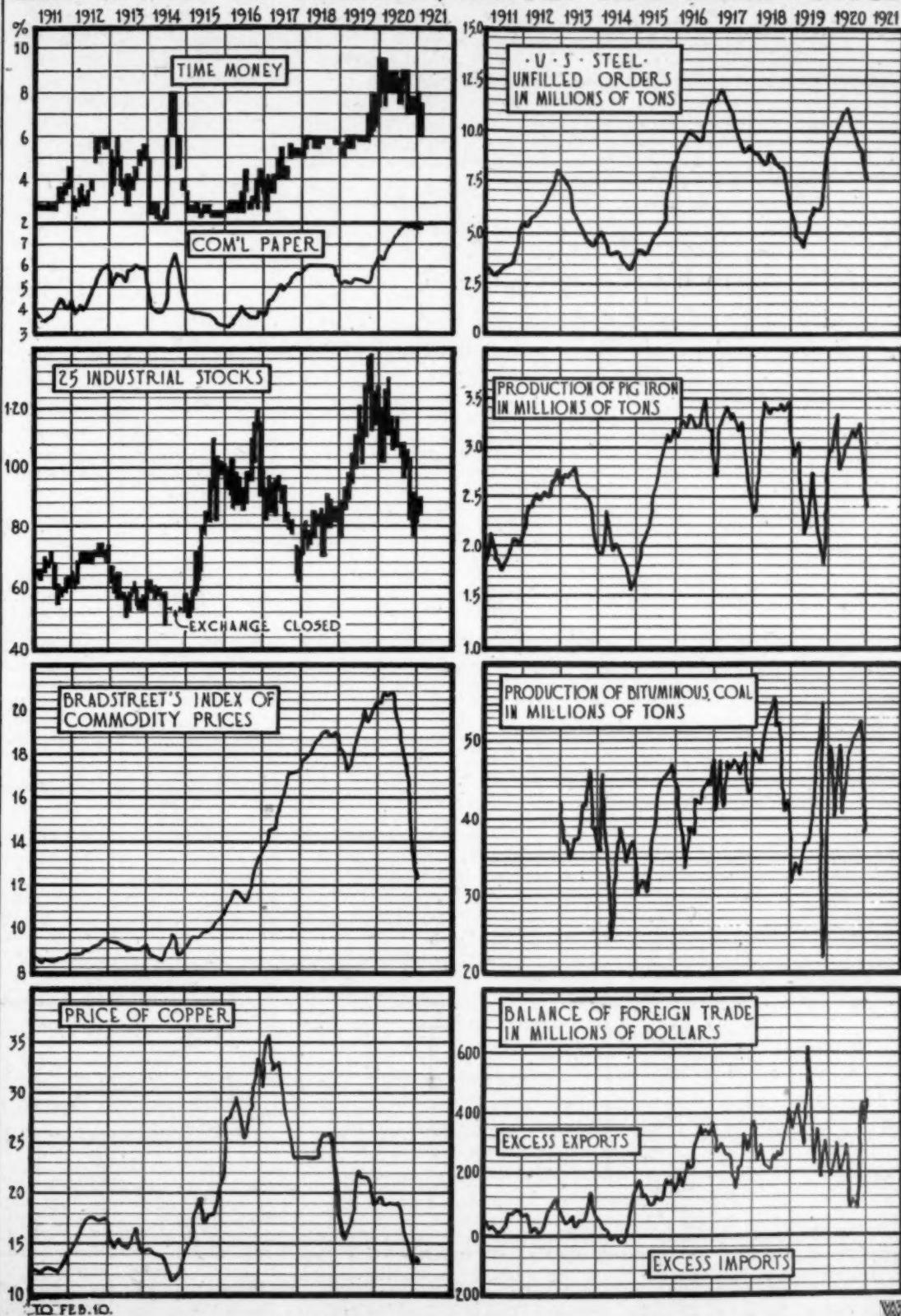
There are other factors which tend to prevent any sharp fall in money. The Foreign Trade Financing Corporation plans to sell to the public debentures in large quantities. The copper men are selling \$40,000,000 notes to carry their surplus of copper. The War Finance Corporation is beginning to make loans, for which the money will have to be furnished by investors, directly or indirectly. Loans by foreign countries or cities are constantly being offered here. Our railroads need an indefinite amount of money, although they will get along with as little as possible with rates above 6%.

These various demands will be likely to absorb our supplies of capital at relatively high rates until time enough has elapsed to permit further accumulations.



The above graph shows the changes in the interest return obtainable on high-grade investments. It is based on the yield (to maturity) of ten bonds which are so strongly secured that their price changes are due almost solely to changes in the general supply of capital as compared with the demand for capital. The graph is also an accurate index of the trend of high-grade bond prices reversed. That is, prices rise in proportion to the fall in interest yield, or fall in proportion to the rise in interest yield. Any average of bond prices (as distinguished from yield) is affected by the maturity dates of the bonds used. This element has been eliminated from the above graph in order to give an accurate reflection of the trend of the market for high-grade bonds.

THE TREND OF MONEY, PRICES AND PRODUCTION





Threshing the Crop on a 25,000 Acre Wheat Farm in Dakota

Is Wheat Still Too High?

Comparison Indicates It Is Selling Out of Line with Other Farm Products—Farmers' Purchasing Power Reduced by Seven Billions Since 1918

By E. D. KING

THE total value of all United States farm products, including livestock, in 1919, was approximately \$25,000,000,000. In 1920, this value amounted to \$18,000,000,000 roughly, thus registering a decline of some \$7,000,000,000, or 28%.

2% less. In other words, corn and cotton are selling below the so-called pre-war levels, whereas wheat is selling much higher.

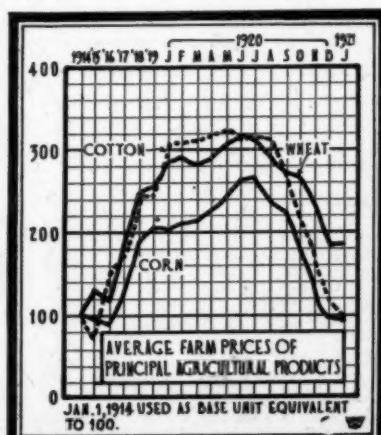
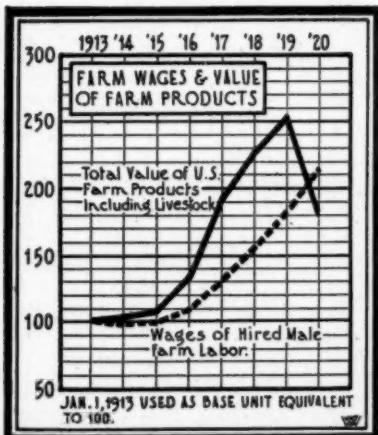
The wheat farmers are complaining bitterly about the decline in the value of their product. While they are certainly in an unpleasant position, farmers who depend mainly on cotton and corn are still worse off. Certainly, in the case of cotton, prices, on the average, are below the average cost of production. Corn producers are probably losing money on the present basis of prices when they sell

farmers have not suffered astonishing losses as claimed.

Some Prices Well Maintained

While the major farm products have declined greatly, some of the minor commodities have held up very well. Thus eggs are not only selling higher than at any time since summer, which was to be expected on account of seasonal considerations, but are actually higher by about 5% than a year ago this time. The average prices for butter have held up pretty well and are now only about 2% below those of a year ago, although the recent tendency is downward on account of imports from Denmark. Chickens, while lower than a few months ago, are about the same as at the end of 1919.

Hay has declined about 35% since the highest prices of last year but is only 15% below prices at the close of 1919.



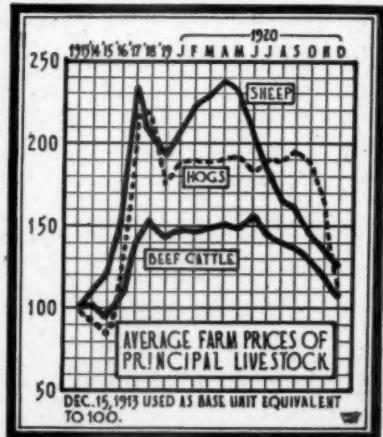
At the end of 1920, no important farm product, including livestock, sold as high as at the end of 1919. All groups were affected by the unprecedented severity of the deflation movement, though to a varying extent. Some commodities, such as cotton, registered a decline of 65% within the year and 75% since the highest prices of 1920. Others, such as butter and eggs, were affected in an insignificant manner by the declining movement.

The three principal crops are cotton, wheat and corn. As compared with their highest prices of 1920, these commodities have suffered very striking declines. Thus cotton has lost 75% of its value since last May, corn has lost 65% since July and wheat has lost 40%. It is interesting to note that, despite its large decline, wheat has lost considerably less than either of the other two principal farm products.

As a matter of fact, at the end of 1920, farmers were receiving for their wheat 84% more than at the end of 1913. At the same time they were receiving for their corn 5% less and for their cotton

WHAT A BUSHEL OF WHEAT WOULD BUY.	
(Prices Received by Farmers.)	
Jan. 1, 1916	Jan. 1, 1921
1.16 Bushels of Corn	2.22
7.00 Pounds of Cotton	18.00
11.31 Pounds of Hogs	17.35
18.66 Pounds of Beef Cattle	22.38
17.98 Pounds of Sheep	27.18

corn instead of feeding it on the farms, which is the case in 86% of the crop, but there is little reason to believe that wheat farmers are not breaking about even, although this may not be true in individual instances. It also must be remembered that a good share of the wheat crop was marketed before Sept. 15 when higher prices prevailed, so that the wheat



On the other hand, relatively minor products such as potatoes have shown very marked shrinkages since last summer. Flaxseed has declined about 70% since last May and 50% since the end of 1919.

Livestock Prices

While livestock prices advanced very considerably during the war, none of the important products, such as hogs, beef cattle and sheep showed such striking

gains as in the case of wheat, corn and cotton when these latter were selling at their highest. The largest individual advance was in the case of sheep, for which farmers received 139% more in April, 1920, than at the end of 1913. This compares with cotton, for example, which at its highest price of last May showed an increase of 222% over prices at the end of 1913. At their highest prices, wheat and corn showed an increase over 1913 levels of 212% and 167% respectively. Thus the biggest advance in livestock, 139% in sheep, was not as large as the smallest advance in the three principal agricultural products which took place in corn, where the advance at its highest was 167%.

Naturally, as the advance in livestock products was relatively limited, so the decline was not quite so extensive as in the case of purely agricultural products. Thus, where hogs, beef cattle and sheep, since their highest prices of 1920 show a decline of 42%, 31% and 48% respectively, the three principal agricultural products, wheat, corn and cotton, show a decline since their highest of 1920 of 41%, 66% and 75%, respectively.

Taken as a class therefore, agricultural products have suffered a more severe decline than livestock products. In fact, where corn and cotton among the three principal agricultural products are bringing prices to farmers lower than they received at the end of 1913, this is not true of any of the three principal livestock products which are still bringing prices slightly above those of 1913. (See graph.)

It is the rule, however, that animal products are always behind crops in both the advancing and declining movement. In that case, it is possible that livestock prices will continue to decline after agricultural products have stopped falling, although if such a movement were continued it would inevitably bring the prices of such products as hogs, beef cattle and sheep below pre-war levels.

In a general way, it is apparent that farm products, especially in the case of the crops, have accomplished a great deal by way of price deflation. Of the six principal products, crops and livestock, two, corn and cotton, are actually bringing prices to farmers below pre-war levels. Three, hogs, beef cattle and sheep, are only slightly above pre-war levels. Only one, wheat, is considerably higher, and the consensus of opinion is that even this commodity will inevitably conform to the general farm price level.

What the Farmers Lost

The decline in the value of their products has naturally caused a very severe loss to the agricultural interests and, correspondingly, a shrinkage in their purchasing power. What aggravates matters, however, is that the value of agricultural products has declined at a time when operating expenses were at their highest. As compared with 1919 (as shown on the accompanying graph) the total value of all farm products declined 28%. During the same period, labor expenses increased 13½% and other costs, such as fertilizers, etc., increased somewhat in proportion.

These expenses, including labor, have since declined, but it must be remembered

that farm products were raised on the basis of higher costs prevailing during the greater part of 1920, so that the decline in other commodities has not so far helped the farming interests very much. No doubt they will be in a more favorable position during the coming year.

While the farmers have lost something like \$7,000,000,000 purchasing power since the end of 1919, their purchasing power

of \$18,000,000,000 as at the end of 1920, is very great as compared with 1913, when it was under \$10,000,000,000. As a class, the farming interests have suffered severely owing to the decline in prices, but so have all other producers. It is to be questioned whether they are worse off than, say, interests like the tire, automobile, leather, wool, silk and textile manufacturers.

INVESTING IN OUR FOREIGN TRADE

(Continued from page 518)

Arthur Reynolds of Chicago, J. G. Culbertson of Wichita Falls, Texas; Herbert Myrick, editor of a chain of farm papers; Philip Stockton of Boston; Julius H. Barnes of Duluth, former president of the United States Grain Corporation; Charles H. Sabo of New York; Joseph H. Deffrees of Washington, president of the Chamber of Commerce of the United States; Fred I. Kent of New York; John J. Raskob of New York, vice-president of the General Motors Company; George Ed. Smith, president of the Royal Typewriter Company; Charles A. Hirsch, of Cincinnati; Oscar Wells, of Birmingham; John S. Lawrence of Boston; Alexander Legge of Chicago, of the International Harvester Company; Peter W. Goebel of Kansas City, Kas.; Roy D. Chapin, of Detroit, president of the Hudson Motor Car Company; John Sherwin of Cleveland, F. O. Watts of St. Louis. William F. Collins, of New York is secretary of the committee.

The committee has announced that the presidency of the Corporation will be tendered, "if and when organized," to W. P. G. Harding, now governor of the Federal Reserve Board; that John McHugh will be chairman of the Board of Directors; and that Fred I. Kent will serve the corporation in an advisory capacity. It can be assumed that since his name has been given out publicly, Mr. Harding will accept the presidency; and the investor will look forward to something of the same successful history that the Federal Reserve Banks have achieved under his direction.

Precedents for the Corporation

American precedents, naturally, are lacking. The investor who questions the earning power of such Edge Act Corporations must look to somewhat similar organizations abroad which have an historical perspective.

English, Scotch and Swiss "Investment Trust," with aims broadly similar to that of the Foreign Trade Financing Corporation, have been operating for years; the first having been formed about sixty years ago. They have chosen investments from all corners of the world, and their holdings include literally hundreds of varieties. On a capitalization of \$10,000,000 the Investment Trust Company Limited, of London, paid average dividends of 12% a year for the ten years preceding 1917. This company had outstanding, also \$10,000,000 of bonds. Other companies with smaller capital and small issues of bonds outstanding, in London, Edinburgh, and Geneva have also shown consistent earnings of 12% over extended periods.

Under the Edge Act, foreign trade financing corporations in America will is-

sue debentures in suitable denominations and varying maturities, to a total of ten times their capital; and thus this newest and biggest corporation will have ultimate resources of over a billion dollars, and will eventually present a tremendous opportunity to the investor in these securities. Since the Corporation cannot be founded, however, without the \$100,000,000 capital stock, subscribed by the investing public.

Earnings will go first to pay interest on these debentures and to meet the operating expenses; after that, under the terms of the Edge Act, a surplus amounting to 20% of the capital will be built up; and beyond, all profits can be distributed to the stockholders as the directors elect.

The permanent management of the Corporation will be in the hands of a Board of Directors of not less than 36 and not more than 60; they are to be fairly representative of the twelve Federal Reserve Districts, and the various interests as represented by agriculture, commerce, trade, manufacturing, banking and other industries.

Stock in the Foreign Trade Financing Corporation is now being offered by the Sales organization to the 30,000 banks and trust companies of the United States; to the 5,000 farm and agricultural associations, to be handed on to their members; to the chambers of commerce and trade associations of the country; to 50,000 manufacturers and exporters whose business is in some degree tied up with the fate of our foreign trade, and to the entire public.

GENERAL MOTORS ACCEPTANCE CORPORATION

The General Motors Acceptance Corporation was organized January 1, 1919, as a subsidiary of the General Motors Corporation. The company discounts motor trade acceptances of the General Motors' dealers. Its first acceptance was bought on April 1, 1919, and in the year 1919 a total of \$20,800,000 acceptances was handled. In 1920 the total volume of acceptances, notes and contracts handled amounted to \$104,131,822. The corporation now has seven offices in the United States, one in Canada and one in London. Balance sheet as of December 31, 1920, showed the following: Assets: Cash \$934,859; Bills Receivable \$26,095,546; Foreign Documentary Bills of Exchange Drawn \$6,823,129; Accounts Receivable \$914,487; Miscellaneous \$792,729. Liabilities: Capital Stock \$3,200,000; Surplus Fund and Undivided Profits \$947,203; Bills Payable \$23,202,119; Foreign Documentary Bills of Exchange Discounted \$6,823,129; Accounts Payable \$135,590; Reserves \$604,017; Miscellaneous \$648,692.

What Thinking Men Are Saying

Commodity Prices Expected to Settle Down—Comptroller Williams Calls Country on Sounder Basis Than for Years

ARTIFICIALLY SUSTAINED COMMODITIES MUST COME DOWN Comptroller Williams Predicts Good Business Would Follow

In his annual report to Congress Comptroller of the Currency John Skelton Williams said, in part:

"The precipitate decline which has already been witnessed in so many leading commodities encourages the belief that in most cases we are near the bottom, the fall, in some instances, having been already excessive and abnormal and really not justified by actual conditions. A serious shrinkage in values was foreseen and predicted more than a year ago by those who studied conditions and considered the history of past wars, but it has come faster and more violently than heretofore, presumably because more rapid communication and transportation expedite the succession of inevitable effect on cause."

"Thus far the results have not only come more quickly than after our former severe wars, but have been less calamitous. There is every reason to believe that the same facts that hasten disaster will hasten recovery; and that the people of different countries and classes, being more intimately in touch with each other than ever before, will more promptly understand each other's rights and requirements and realize that it is to the interest of all to work together for fair readjustments.

"The deflation which we said a year ago was obviously inevitable has come, and the country is now in many respects on a sounder basis, economically, than it has been for years. When conditions abroad become more settled or stabilized, and when at home much-needed adjustments are effected in the costs to consumers of steel and iron products, which are still about twice their pre-war prices, and when coal, for which the Government itself has paid, in recent months, as much as four times the pre-war price, and certain other commodities, which are now being kept artificially, or as a result of monopolistic control, far above the pre-war figures, get back to a normal level, our country, resting as it is, on a solid foundation, will be prepared to enter upon a new and, let us hope, enduring era of prosperity and healthy progress."

BUYERS AWAITING SOME FURTHER PRICE REDUCTIONS

J. H. Tregoe Believes "Evening Up" Process Is Still Incomplete

In the February general letter addressed to the 33,000 members of the National Association of Credit Men, J. H. Tregoe, executive secretary, said:

"The prices of some essentials are due for a further decline before we shall have reached a general level where the buyer will be brought back into the market."

"Prices generally are in too great a flux to encourage liberal commerce, and in the recuperating process through which we are passing efforts should be bent upon the stabilization of prices and bringing them to a point where trading will be fair and free. In the agricultural sections while too large a proportion of last year's crops is un-

scarcely begun. Rebound of certain commodities from low points is an indication that from now on prices will fluctuate less abruptly and will gradually reach a stable basis. Until that time is reached, industry and trade will be conducted on a hand-to-mouth basis, manufacturers will produce only for current orders and distributors will buy for replenishment of depleted lines.

"Merchandise situation has been improved by a general mark-down. It is unfortunate this movement did not get under way before wage reductions and unemployment became widespread. Public has been comparing retail prices to the ultimate detriment of those retailers who attempted to avoid their share of loss incidental to deflation, or who attempted to dispose of inferior goods in the guise of reduction. There is still much ground to be covered before retail lines are thoroughly liquidated. Avoidance of still larger losses will hinge upon rapidity with which retailers dispose of purely seasonal goods.

"An outstanding feature is the gradual resumption of activity in automobile manufacturing. Few manufacturers expect a repetition of the boom period when cars were sold months ahead of deliveries. Weakest point in automobile situation is that post war expansion was carried to extremes to meet the temporary condition caused by soaring wages. In addition to radical change in wages and employment, farmers have suffered a curtailment of purchasing power. Also, practically one-half the automobiles sold last year were on system of deferred payments, which 'aid to distribution' is now interfered with by temporary tightness of money.

"A drastic curtailment of output in many lines might ultimately bring about a period of scarcity with swiftly rising prices—a secondary inflation. Such a brief, artificial prosperity, would disrupt the present process of cost liquidation and inevitably end in real overproduction with consequent collapse. The whole world is seriously deflating prices and production costs preparatory to the greatest era of world trade competition in history. Were this country to run counter to that trend, result would be disastrous since we would stand to lose a good part of our export trade by inability to compete."

LIQUIDITY OF CREDIT WILL CONTINUE TO IMPROVE

President James S. Alexander, National Bank of Commerce, Is Optimistic

"There are at present a number of great business forces clearly at work building a sound business structure for 1921. Supply and prices are becoming broadly co-ordinated to demand. The improvement in the liquidity of credit which is now in progress must develop



Orr in Chicago Tribune

Prepared for a Rainy Day

liquidated, yet the profits of earlier years, running back to 1915, have put the farm owner in a better shape to meet the situation than he otherwise would have been, and the real sufferer is the tenant farmer.

"The entire absence of any important bank failure during the past month is extremely significant of our financial strength and a very hopeful indication in the situation. Insolvency liquidations in the industrial sections have not been so large numerically, and financially, as were expected. This is due, in a large measure, to the co-operation of credit grantors and banks; also to the fact that stocks were large and did not offer that ease of movement which tends to increase failures in a period of depression. In the agricultural sections the insolvency liquidations have been very numerous, but not to the extent of embarrassment to creditors. Inventories have been taken generally at replacement values. The depreciation in merchandise commodities because of this has reached a total in our opinion of \$2,500,000,000, but when considering that this is not 1 per cent of our national wealth, the damage is not great and easy to repair when the revival comes. One of the most hopeful indications is the good spirit and spine of men who are going through fire."

COMMODITY FLUCTUATIONS BECOMING LESS ABRUPT

National Bank of the Republic (Chicago)
Sees Hopeful Signs

"Price readjustments have not been completed in many lines, and in some

further, but there are signs that improvement there will continue. As these movements are fulfilled, as wages and labor are realigned to new conditions and as business finally absorbs the losses incident to deflation, stabilization on the new level will become an accomplished fact.

"The beginning of the year 1921 has auspicious aspects in the rapid, yet orderly, way in which these great corrections are progressing. The year must be judged then, not so much by the volume of business that will be accomplished in it, but rather by the sounder conditions which will prevail, marking the definite return to a new era of business fundamentals.

"Normal activity must come from within business rather than from without. Business cannot idly wait for the public to resume active buying. It must stimulate buying by establishing a wide prevalence of substantially reduced prices for goods which must be based on increased efficiency in production and distribution, and the acceptance of reasonable margins of profits.

"In this connection the growing tendency of labor to become more efficient and its willingness to accept some liquidation of inflated wages is a most encouraging circumstance."

RETAILERS SHOULD BUY NOW BUT SHOULD NOT "PLUNGE"

Franklin Simon, President, Natl. Garment Retailers, Sees Certain Prices at Lowest

"We have passed through the worst stage. The decline in prices usually is overdone not only in the stock market, but in the commodity markets. In certain lines prices are now as low as they can go, and recently we have seen some rebound. My advice to all retailers is to buy goods now, but not to plunge."

PERIOD OF RISING SECURITY VALUES JUST AHEAD

Col. Leonard P. Ayres, Vice President of the Cleveland Trust Co., Analyzes Past Experiences

"The history of prices reveals the fact that retail prices have always moved more slowly than wholesale prices. During the period of sharply rising prices, when the dollar was shrinking in value, the value of the wholesale dollar averaged between 10 and 20 per cent lower than that of the retail dollar. The same phenomenon is observed in all price fluctuations.

"For the past twenty-five years much of the business life of the country has resembled the machinery of the industrial plants. Much of it has been automatic. In the future only the up-to-the-minute merchant can hope to survive.

"There is, however, no danger of a panic. In reality we have had a silent panic, but the increased efficiency of our credit system has prevented it from being severe or from being generally recognized as such.

"The evidence of the past shows that we are about to enter a period of rising values in stocks and bonds. The future looks bright. We can safely say that we have turned the corner and that we are

on the road to a restoration of business on a sound basis—always remembering that prices will probably continue on the down grade for perhaps a decade."

DANGEROUS NOT TO PREPARE FOR COMING BUSINESS WAVE

Vice President W. P. Kenney, of the Great Northern, Reports Loosening Up of Credit

"The liquidation necessary to put the country in sound condition has been pretty well disposed of, and the country went through it very well. Stocks of goods held by country merchants are unusually small, and they have started to buy merchandise. There is every indication that building this spring will be on a large scale and this will add greatly to the already better conditions. Grain is being loaded in a larger volume than for several weeks and it is evident from our loadings that storage grain is loosening up and going forward to the market. Unless the proper preparations are made for the coming wave of business and prosperity we will be faced with a serious situation."

GRAIN DEADLOCK IS BEING BROKEN

Carl Gray Expects Good Traffic in Latter Part of Year

Carl Gray, president of the Union Pacific System, said recently before leaving for Chicago that the deadlock on grain shipments in the west was broken during the last month and that the movement is being resumed as retail supplies have become exhausted. He reiterated his prediction made in November that the last two-thirds of 1921 will be as good a period



—Thomas in Detroit News

Get Off the Hose!

for traffic as the corresponding period in 1920 was, for the reason that the present shrinkage is really a postponement of business.

Mr. Gray said that the holding back of grain was due largely to the fact that producers had had prosperous seasons, and when the big break came in the grain markets they refused to ship wheat and other grains at prices which they maintained in many instances were less than cost.

He said also that local freight traffic, that is freight which originates and is delivered on the Union Pacific system,

has held up well, while there was a sharp decrease in the volume of through freight handled in the month of January. This decline continued into the first weeks of the present month and so far only slight improvement has been noticed.

GREATEST PROFIT TO BE MADE IN RAIL AND UTILITY BONDS

Spencer Trask & Co. Believe Upswing Will Continue

"Bonds have been declining for the better part of twenty years, or to be exact since June, 1901. At that time the average price of 10 well selected railroad bonds was 107.23; today it is 77.65. In the intervening years there have of course been periods when bonds advanced, but this was generally from a low level.

"As a definite trend the course of prices has clearly been downward. Now we feel the turn has come; in fact we believe it came several months ago. The advance since then has, we think, carried certain bonds of the highest grade up to a point where they should halt until the whole investment level can have a corresponding advance. Considering, however, that this advance has been only about 7 points, whereas the present average level is still 30 points below 1901, it will be seen that a very large amount of ground remains to be regained.

"We believe that the time is measurably near when we shall learn to envy the more far-seeing investor who is quietly picking up the sound railroad and public utility bonds of long maturities around present levels. In our judgment, it is in bonds of these types that the greatest profit is to be made. The short term bonds, excepting where they serve a special purpose or have some convertible privilege attached, no longer represent the type of investment we should advise making. It is, moreover, a well-known axiom of finance that bond prices go up as commodity prices go down. Consequently it will be evident that also from this angle an investor stands to profit greatly by placing his money in long term bonds. In many cases the yield on such bonds is now practically twice as high as has ruled in normal times, and when we return to normal times, possibly even sooner, commodity prices may readily be cut in half from present levels, and even then they would be higher than before the war."

TOO RAPID RECOVERY NOT GOOD FOR BUSINESS

Goodbody & Co. Favor Gradual Return to Normal

"Patients who make a too rapid recovery from a severe illness are very apt to suffer a relapse. So in the present instance it will, perhaps, be just as well if business tries out its strength very carefully before it becomes unduly active.

"The present superficial optimism is no doubt due to the fact that small improvements shine very brightly against the gloom which prevailed in the closing months of last year. We must be careful not to be influenced into overtaxing our returning strength too soon. Hope is certainly justified; confidence, not yet."

Railroads

Bonds and Stocks

Possibilities of the Trunk Line Rails

Rising Costs Hustled Them to the Hock Shop—Instead of Taking in Partners, They Had to Mortgage the Dear Old Home—Changed Outlook Under the New Railroad Law

By WILLIAM T. CONNORS

THREE was a time, not so long ago but we can remember it, when people were anxious to pay a premium to become partners in the business of Trunk Line rails. The roads could sell stock at a premium above par. But since the outbreak of the World War all that has become only a fond memory for railroad financiers.

Instead of taking in partners on a bonus basis, the roads have had to mortgage the office safe. They have had to give lenders the best claims they could on their assets, before they could attract the necessary money to haul their growing traffic.

The great Eastern Trunk Lines had to bear the biggest burden of war traffic. They were the backbone of the vast American industrial machine.

No one thing "won the war." But the war couldn't have been won without the aid of American productive industry. And it was on these Trunk Lines that the Herculean task fell of transporting the products of that industry. Among the sacrifices willingly and cheerfully endured to make the world safe against the tyranny of oligarchic militarism, the sacrifice by stockholders in Trunk Line rails has been by no means the least.

Now that the big struggle is over and we are working our way slowly back to "normalcy," it is worth while to see how much these roads have had to take to the hock shop to tide themselves over the period of strain. They are now getting the benefit of a total increase of about 50% in freight rates. So they are in shape to re-establish themselves—provided they can get business enough to keep their gigantic plants working efficiently. How much of their increased income will they have to pay over to mortgagees before the stockholders can get theirs?

Big Bond Issues

Increasing capitalization is of course to be taken for granted with most corporations which have to handle an increasing business. It is the natural result and warrants no alarm unless it outruns the volume of business done. But it makes a good deal of difference whether that new capitalization is in the form of bonds, on which interest must be paid to avoid receivership, or of stocks on which dividends can be discontinued at will of the directors.

A table herewith shows the bond and stock capitalization of the principal Trunk

Lines in 1913 and in 1920. It indicates that, in most of the big roads, new bondholders have been crowding the stockholders badly in their claims on assets. Chesapeake & Ohio has less bonds today than in 1913. Its policy has been to apply earnings to the property in large amounts, and it has been fortunate or far-sighted enough to have the earnings available for that purpose. Lackawanna's position is

	% Increase
Bonds	Stocks
N. Y. Cent.	97 10
Penna.	78 0
Erie	17 *2
Balt. & O.	28 *1
Ches. & O.	7 0
Del. & H.	18 0
D. L. & W.	0 14
N. Y. C. & St. L.	30 0

* Decrease.

Chesapeake and D. L. & W. stand out as the only ones able to stem the current by decreasing the proportion of bonds to stocks. The graph herewith makes the changes quickly visible to the eye.

All the assets acquired by the proceeds of these big bond issues were of course intended to be revenue producing—with the possible exception of the Pennsylvania Terminal at New York, which may be counted as revenue producing if we look far enough ahead, but not for the immediate future.

If the return earned by the additional assets exceeds the interest requirements on the bonds issued to acquire the assets, the stocks will get the benefit of the surplus. So far, taking all the expenditures together, that has not been the case; but it may and should be true, on the average, now that the roads have obtained an adequate rate increase.

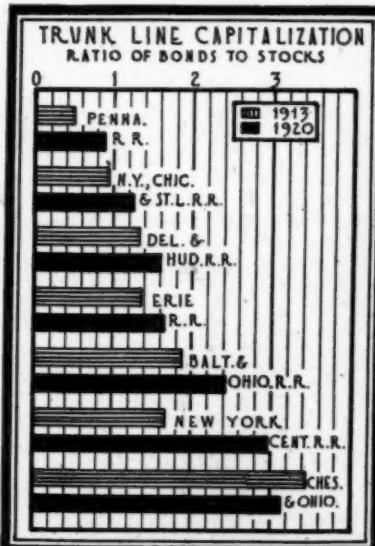
Effect on Stock Prices

In 1913, for example, New York Central's stock represented about 37% of its total capitalization; in 1920, about 25%. The effect of this change, considering it as a single factor and eliminating for the moment all other considerations, is to make the stock more speculative.

To make this clear, assume that the average rate of interest on the company's bonds was 5% in both years. Then if 4% were earned on the total capitalization of 1913, the balance for stock would be 2.3%; if 6% were earned on the total, balance for stock would be 7.7%. But if 4% were earned on the total capitalization of 1920, the balance for stock would be only 1%; while if 6% were earned on the total, balance for stock would be 9%.

With the same fluctuation in total earnings, the change in per cent shown for stock would have been equal to 5.4% on

(Continued on page 546)



CHANGES IN TRUNK LINE CAPITALIZATION.

	(000 omitted.)		Stocks	
	1913	1920	1913	1920
N. Y. Central.....	\$378,644	\$745,445	\$225,581	\$249,597
Penna. R. R.	248,900	444,119	499,234	499,178
Erie	244,127	286,330	176,271	172,386
Balt. & Ohio.....	*402,334	513,551	*212,317	210,809
Ches. & Ohio.....	*212,352	197,326	*62,796	62,796
Del. & Hudson....	57,920	68,259	42,503	42,503
Del. Lack. & W....	320	†320	30,277	42,277
N. Y. Chic. & St. L.	28,777	37,442	30,000	30,000

*June 30, 1914. †Also \$47,191,000 guaranteed bonds.

unchanged except for a stock dividend which raised the total of stock outstanding.

On all the others the bonded debt has gone forging ahead. The per cent of increase for bonds and stocks separately affords an interesting comparison:

Refunding the Burlington Joint-4s

What Method Will Be Used in Meeting \$215,000,000, Issue Maturing on July 1?—Prospects of the Individual Roads

By JOHN MORROW

THE maturity of the Northern Pacific—Great Northern (Joint), Chicago, Burlington & Quincy Collateral 4% bonds on July 1st next undoubtedly will be the occasion for one of the most interesting refunding financial operations of the current year.

Back of the issue, originally put out twenty years ago, is one of the vital stories of American railroad development. The acquisition of the Burlington system jointly by the Great Northern and Northern Pacific aroused the antagonism of the Harriman interests against the Hill interests, and the fight that followed furnished the background for the famed Northern Pacific panic of May, 1901. When the Joint 4s were issued, the credit of American railroads was soundly recovering from the reorganization period of the 90's, and a prime rail bond with a 4% coupon rate was in line for a high market standing.

Now, twenty years later, the glamor surrounding the operations of the railroad leaders of the past generation is gone, and the matter of refunding and providing for the maturity of these Joint 4s, although prosaic perhaps to the layman, is for all that vitally important to three railroad systems comprising some 24,000 miles of road and traversing the great farming, live stock, mining and timber sections of the mid-west and northwest. Whereas when the Joint 4s were issued the railroads had recovered from the unsettling effects of the many reorganizations of the late 90's, now they are struggling toward a firmer position following the unpleasant experiences of war-time control.

In view of present credit conditions, it is, of course, out of the question to expect that the refunding of \$215,000,000 4% bonds can be accomplished on terms comparable with those obtained when the securities were originally sold. A 4% coupon rate on a railroad bond is thing of the past, and time alone will tell whether it will ever be possible again.

Preliminaries to the Refunding

Already the Burlington has made application to the Interstate Commerce Commission for permission to issue certain bonds and to increase capital stock, which undoubtedly is a preliminary to the plan for refunding the Joint 4s, but as yet the details of how the operation will be accomplished are unknown save, perhaps, to banking interests connected with the three roads involved. These Joint 4s are not an obligation of the Burlington, but are joint and several obligations of Great Northern and Northern Pacific, and are secured by the \$107,000,000 Burlington stock owned by the two roads on the basis of a value of \$200 share for the stock, or

\$1,000 bonds for each \$500 of stock.

No one may seriously question the consummation of a refunding plan which will prove satisfactory to holders of the Joint 4s, but future dividend prospects of Great Northern and Northern Pacific also are tied up with the question. Even without knowing the definite plan, the facts that are known are worth consideration as a basis for possibilities.

Burlington has asked permission of the Interstate Commerce Commission to issue \$109,000,000 6% first and refunding mortgage bonds and \$60,000,000 additional capital stock. The wording of the application would indicate the intention of the Burlington to issue \$80,000,000 bonds and the \$60,000,000 additional stock as dividends to stockholders. As Great Northern and Northern Pacific own \$107,613,500 of the \$110,839,000 Burlington stock, they will receive practically all of the bonds and stock, if they are issued, as dividends. Assuming that this will be done, then the \$80,000,000 New Burlington bonds might be sold and proceeds used against the retirement of the \$215,000,000 Joint 4s, leaving

Northern Pacific in possession of funds to cover the interest on the new refunding issue.

Burlington has been paying for years regular dividends of 8% on \$110,800,000 stock, or just sufficient to provide the 4% interest on the \$215,000,000 bonds. It is evident at once, and naturally a matter of record, that Great Northern and Northern Pacific never have had to dip into their own income to carry the bond issue which matures on July 1.

It may be impracticable to offer satisfactorily a railroad bond bearing 6% coupon rate, but the financing does not have to be consummated until Spring, and it is possible that by then money rates will be somewhat easier. It is worth noting that the Pennsylvania recently had excellent success in selling \$60,000,000 15-year bonds bearing 6½% interest at 99½ to investors.

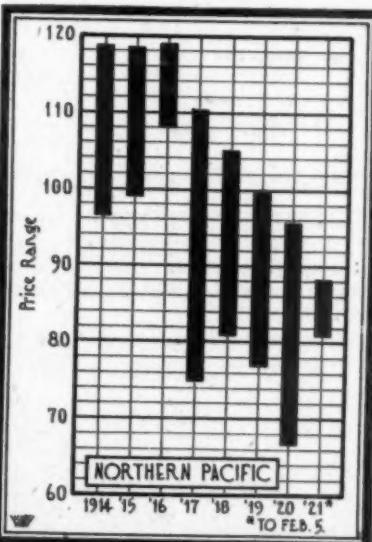
If Burlington issues \$80,000,000 6% bonds, total interest charges will be increased by \$4,800,000 a year over the present obligations, and then if a 6% dividend rate on \$170,000,000 stock should be established it would require \$1,336,000 more than present dividend requirements. Both of these items would mean an increase of about \$6,000,000 over present interest and dividend disbursements. The question naturally arises as to Burlington's ability to stand such an addition without impairing its financial position.

Burlington's Earnings

A glance at Burlington's earnings record will indicate the eminently satisfactory returns of the past several years, and will do more than hint at the ability of the company to stand the conjectured additional charges.

All estimates of railroad earnings under the amended rates schedules which went into effect in September, 1920, must necessarily be tentative. Four months have elapsed since the railroads have been in receipt of increased freight and passenger rates, and results have not been satisfactory if measured by the 6% returns on property investment to which the rails are entitled. However, if the property valuation of Burlington be taken at \$500,000,000, it may be roughly estimated that the system would have an earning power of \$15 a share, allowing for increased interest charges and for the additional stock which may be issued.

It must be admitted that this estimate is conjectural, and it is also essential to keep in mind that the possible plan for refunding the Joint 4s, as outlined above, is by no means official and is given to point out how the operation might possibly be done in broad outline. In any event, it is helpful in order to obtain an understanding of the position of Great Northern and Northern Pacific.



ing approximately \$135,000,000 still to be provided for.

One way to take care of this balance would be to authorize another issue of collateral joint bonds secured by Burlington stock owned by Great Northern and Northern Pacific, which, with the proposed increase of \$60,000,000, would amount to about \$166,413,000. If the coupon rate of such a refunding issue were to be established at 6%, Burlington, by paying dividends of 6% on \$170,000,000 stock, would put the Great Northern and

The average person interested in the securities market knows something of Great Northern and Northern Pacific, but, perhaps, has given little attention to the Burlington, except in a general way, as understanding that the system contained "melon" possibilities for its two proprietors. In the face of maturity of the \$215,000,000 bonds this year, it is difficult to see how the capitalization of Burlington surplus, which apparently is what is going to be accomplished, will result in a

over dividend requirements, but has been able to maintain a relatively even balance for stock despite the frequent increases in share capital. The late James J. Hill regarded \$250,000,000 outstanding stock as completely rounding out the financial structure.

Beginning in 1918, the earnings of the road, as shown by annual statements, are not to be regarded as a true index of earning power, as it might be measured by normal conditions. During the period

earnings as they have actually been shown since the new rate schedules went into effect. The territory which Great Northern serves early last Fall met with a traffic slump, due partly to the unwillingness of farmers to send their grains to market, and this slump even the increase in freight rates and passenger fares has not been able to overcome. Great Northern does not publish in its annual reports the details of commodities carried, but it is well known that grain, ore and timber constitute the bulk of freight traffic, and Great Northern is first, last and always a freight road. The system was built with the idea of freight traffic in mind, and the tradition handed down by its founder still prevails in the present management.

While estimates of Great Northern possible earnings run as high as 9%, it is not earning at that rate now. Based on the returns for September, October and November and December, 1920, Great Northern earned at the rate of between \$4 and \$5 on capital stock, and these months include what are ordinarily the best traffic months of the year. A slump which developed in December continued through January of the current year, in which month the road did not earn its operating expenses, according to W. W. Atterbury, vice-president of the Pennsylvania road. It is a truism to state that operating expenses must come down, and at the same time freight traffic in the Northwest must pick up to put a clear field ahead of the stock.—vol. 27, p. 461.

Northern Pacific

Northern Pacific serves the territory through the Northwest lying to the south of the Great Northern, and is not essentially a competitor of the brother road. The Northern Pacific has been able to pay \$7 dividends annually since 1903, and, like Great Northern, has not usually shown earnings greatly in excess of dividend requirements, but the same steadiness which characterizes the returns of Great North-

"melon" to Great Northern and Northern Pacific, using "melon" in the commonly accepted sense. If the refunding is accomplished so that Great Northern and Northern Pacific can assume the obligation of another issue of bonds secured by Burlington stock without having to use their own surplus or current incomes to protect interest on this issue, then the results must be acclaimed as entirely satisfactory and, from a fundamental standpoint, of much more value than if Burlington were going to declare extra dividends which might directly accrue to the benefit or be available for distribution to Great Northern and Northern Pacific shareholders.

GREAT NORTHERN

Great Northern has been paying dividends of \$7 a share on capital stock since 1899, and for years the shares have occupied a pre-eminent position. Amount of stock now outstanding is \$250,000,000, and the company has an equal amount of bonds in the hands of the public, including its half share of the \$215,000,000 Burlington Collateral Joint 4s. Great Northern is one of the few American railroad corporations which was able for years to finance its requirements through the offer of additional stock to shareholders, and now with \$250,000,000 stock and \$250,000,000 bonds total capitalization approaches the theoretically ideal railroad financial structure. In the old days, that is, prior to the war, Great Northern's fixed charges absorbed only about 20% of total income, leaving 80% for rental, hire of equipment and stock.

The system, pioneer in the Northwest, laid its rails ahead of settlement, and reaped the benefits when farmers followed into the virgin territories of the Dakotas and Montana and later on into the Pacific Northwest. Great Northern has ever been known as a freight road, with remarkable car loadings and relatively low transportation costs.

Earnings

Steadiness of income, as measured by per-share earnings on outstanding capital stock, has been another feature. For the last two or three years the road has not shown big excesses of per share earnings

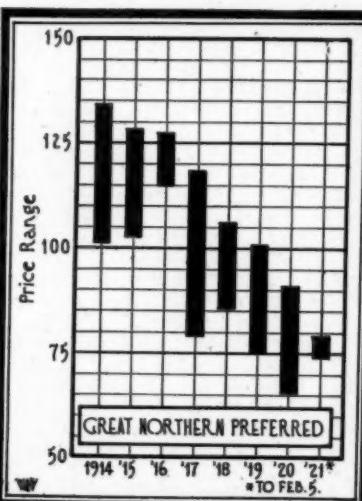


TABLE II.—CAPITALIZATION.			
Bonds	Great Northern	Northern Pacific	Burlington
Stock	\$250,524,000	\$314,221,500	\$165,050,000
	249,477,150	348,000,000	110,839,100
Total	\$500,001,150	\$562,321,500	\$278,829,100
Per mile road operated	60,000	85,290	29,700

of Government control, with Federal and corporate income accounts combined, Great Northern earned \$1.98 a share on the outstanding shares in 1918, and \$2.76 a share in 1919, but the Federal guarantee was equivalent to between 8% and 9% on the capital stock. Thus the road was decidedly a debtor corporation in that it did not equal the standard return from actual transportation operations.

It has been estimated that Great Northern will earn between 8% and 9% on the basis of the new rates, and under the present Transportation Act, enough to assume the continuance of the \$7 dividend should estimates be borne out by actual returns.

The earnings for the four months ended December 31, 1920, are regarded not necessarily as an indication of what may be expected, but simply as a guide to

ern has shown in the annual statements of Northern Pacific.

In the past it has been felt by investors that, even if earnings of Great Northern and Northern Pacific did not cover dividend requirements by large margins, back of the earnings of these two roads from their own operations lay the fast accumulating surplus of the Burlington, and that in times of stress it would be possible for the two proprietary systems to draw on that surplus in the shape of extra dividends. In fact, Burlington did declare an extra dividend of 10% in 1917, which amounted approximately to \$5,500,000 each to Great Northern and Northern Pacific. This distribution, however, is the only distribution that might be termed a melon which has been declared by the Burlington to date.

Estimates as to what Northern Pacific

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will earn with the new freight rates as a basis of compilation average close to 9% on the \$248,000,000 stock outstanding.

Northern Pacific and Oil

Great Northern had its great speculative adventure several years ago when beneficial interest in the Great Northern Iron Ore properties was distributed to Great Northern stockholders. Now, perhaps, Northern Pacific is to have its adventure through the possible segregation of its lands in Montana, which are said to have substantial oil-bearing possibilities. For years Great Northern maintained an advantage over Northern Pacific in market price of from ten to twenty points, but now Northern Pacific stock has passed Great Northern and is selling from seven to eight points higher.

Northern Pacific shares are speculatively the center of attraction at the present time, due to the expectation of developments affecting the Montana lands. It is reported that oil has been found within the 120-mile strip running through Montana on either side of the Northern Pacific lines, and Northern Pacific owns alternate sections in this area.

No claim is officially made by the company as to the oil value of these lands,

but at this writing it is understood that two plans are under consideration. One might call for the formation of an oil company similar to the one formed by Southern Pacific in its oil land segregation, and the other plan would provide for the leasing of the acreage to some established oil producing company on a royalty basis. This second plan seems to find greater favor than the first.

However, the question of oil on the lands Northern Pacific owns in Montana is largely speculative. Petroleum may be there in commercially profitable quantities, and it may not, but, in any event, the lure of that possibility undoubtedly adds to the speculative value of Northern Pacific stock.

Conclusion

Great Northern has an established earnings record and a \$7 dividend rate of long standing to offer as inducements. Northern Pacific has the same kind of a record and the oil possibilities, but in the last analysis the future standing of the shares of both companies would seem to depend upon the Burlington. If the \$215,000,000 Joint 4s can be refunded so that future Burlington dividends will take care of interest requirements on the new

bond issue, which will undoubtedly be offered, so that Great Northern and Northern Pacific will not have to use their own surplus incomes to protect future interest requirements, then it would seem as if the two proprietary roads could continue dividends of \$7—assuming, of course, that the railroads will obtain better control of operating expenses than they now enjoy, and will find a restoration of something like pre-war earning power. Of course, this will take time.

Certainly the territory served by the three systems is one of the richest in the world. Not one of the three roads is over-capitalized, they have not been objects of exploitation, their managements are conservative, and if the American railroad structure is to maintain its integrity the shares of Great Northern and Northern Pacific appear to be intrinsically cheap.

It almost goes without saying that the Burlington, Great Northern and Northern Pacific bonds are deserving of first-class rating, with no indications that their status is subject to change. However, a change for the better must take place in the general railroad situation before much higher prices will be justified for their shares.—vol. 27, p. 461.

Business Depression Keeps Rail Earnings Down

December Gross Below November, But Net Holds Up Well on Most Roads

By ARTHUR J. NEUMARK

WITH the great majority of railroad earnings for December at hand, it becomes more and more evident that unless there is a general reduction in operating expenses, a great many roads will be facing receivership, and a large majority barely able to cover their fixed charges.

We are already prepared to see the worst showing yet made since the new rates went into effect, when the January earnings come in, and this condition will, no doubt, be repeated in the present month, normally the worst month in the year for railroad operations.

Mr. Atterbury, vice-president of the Pennsylvania Railroad, in a recent statement, throws a very excellent light on the situation. He stated that when the earnings for the month of January were reported, 36 roads would fail to cover operating expenses, and 28 would fall short of earning their fixed charges.

In studying the December figures submitted in this article it would be well for the reader to know which of the roads covered herewith come under either group for January earnings, namely, those failing to cover operating expenses, or those which did not earn their fixed charges. I, therefore, submit some of the roads mentioned by Mr. Atterbury as coming under the above classifications.

Among the roads whose January estimates indicate that operating expenses were not earned are: Atlanta, Birmingham & Atlantic; Central of Georgia, a subsidiary of Illinois Central; Erie; Great Northern; Hocking Valley, a subsidiary

of Chesapeake & Ohio; Long Island, a subsidiary of Pennsylvania; Minneapolis, St. Paul & Sault Ste. Marie, a subsidiary of Canadian Pacific; Maine Central; New York, New Haven & Hartford; Northern Pacific; and Philadelphia & Reading, a subsidiary of the Reading Co.

Among the roads whose reports are not expected to show earnings sufficient to cover fixed charges in January are: Atlantic Coast Line; Baltimore & Ohio; Boston & Maine; Chicago, Indianapolis & Louisville, controlled jointly by Louisville & Nashville and Southern; Chicago, Milwaukee & St. Paul; Chicago, Rock Island & Pacific; Lehigh Valley; Minneapolis & St. Louis; Missouri Pacific; Pennsylvania; Pere Marquette; Western Maryland, and Wheeling & Lake Erie.

"Under present tariffs and operating conditions," said Mr. Atterbury, "these were the results, despite the fact that the 64 companies referred to, of which a partial list is given above, have in the aggregate decreased their labor cost of operation by laying off approximately 200,000 employees since September 1, 1920."

There can be no doubt that the situation is bad, but I believe more stress should be made of the fact that the present plight of the railroads is due more to the heavy decline in traffic than to any other one cause alone.

The carriers have hard pulling ahead of them, and it should be quite clear to all concerned that, large as the last rate increases were, they will prove futile unless wage scales are equitably adjusted to new conditions, and the spirit of a full day's

work for a full day's pay is fully instilled into the minds of railroad labor. Labor should recognize the fact that the roads are passing through a crisis, and see the justice of a revision of war-time contracts to meet the present period of depression. The tendency is for increased efficiency in operation, and this is an encouraging sign.

With the industrial and agricultural machinery of the country working normally again, the railroads are sure to be one of the prosperous cogs. It is just a question of weathering the storm, and the sooner all interests get together and work harmoniously the better.

EASTERN ROADS

BUFFALO, ROCHESTER & PITTSBURG continues to operate on a highly profitable basis. Earnings for the four months under the new rates were at the annual rate of \$5,500,000, compared with a Government guarantee of \$3,276,140.

DELAWARE & HUDSON is making an excellent showing under the new rates. Gross for December was over 14½% above November, and net almost 100% over the previous month. For the four months earnings were at the annual rate of \$7,677,000, as compared with a rental of \$7,415,149.

DELAWARE, LACKAWANA & WESTERN'S report for December would seem to indicate a reduction in operating expenses. While gross was slightly below November, the road reported net income of \$2,146,531, as compared with only \$1,021,951 for the previous month. Four months' earnings

were at the annual rate of \$14,112,000, compared with standard return of \$15,749,477.

ERIE is certainly headed for an early receivership if there isn't some radical improvement in operations. December gross fell off 11½% from the previous month. The road managed to make a slightly better showing, however, in net. For the four months earnings were at the annual rate of \$1,375,000, compared with a rental of \$15,729,068.

NEW YORK, ONTARIO & WESTERN is another road falling short of earning its fixed charges. Earnings for the four months were at the annual rate of \$1,042,000, compared with standard return of \$2,103,589.

COAL CARRIERS

BALTIMORE & OHIO earnings took a big slump in December, due to a heavy falling off in coal traffic. Gross decreased over 10% from the previous month, and a deficit of \$436,880 was reported, as compared with net of \$1,632,361 for November. Earnings for the four months were at the annual rate of \$6,977,753, compared with a rental of \$28,105,647.

CHESAPEAKE & OHIO earnings continue to hold up in spite of the falling off in coal traffic in the Pocahontas region. There appears to be no indication of a return of traffic to Baltimore & Ohio, which was said to have been diverted during Government control. Earnings for the four months were at the annual rate of \$19,340,000, compared with standard return of \$14,588,579.

NORFOLK & WESTERN's net showing held up well in spite of a falling off in gross. Earnings for the four months were at the annual rate of \$14,800,000, compared with standard return of \$20,711,875.

SOUTHERN LINES

ATLANTIC COAST LINE made an excellent showing in December. Gross in-

LOUISVILLE & NASHVILLE earnings took a further drop from the level of the first two months of operation under the new rates. Gross from December amounted to \$11,254,142, compared with \$11,480,954 in November, and net income fell over 50%, from \$904,166 to \$423,220. Earnings for the four months were at the annual rate of \$8,414,000, compared with \$17,310,495 Government guarantee.

SEABOARD AIR LINE is making a good showing. Gross for December amounted to \$4,557,860, compared with \$4,277,094 for the previous month, and net was \$714,391, compared with \$627,783. Earnings for the four months were at the annual rate of \$6,506,000, compared with a standard return of \$6,497,025.

SOUTHERN RAILWAY made a better showing in December than in November, but net earnings are still insufficient to cover fixed charges. Earnings for the four months were at the annual rate of \$9,700,000, compared with a Government guarantee of \$18,653,893.

SOUTHWESTERN ROADS

CHICAGO, ROCK ISLAND & PACIFIC operations for December was practically a repetition of the November showing. Rock Island's showing is particularly poor, as the southwestern roads are faring better than any other group. Present rate of operations are at about the rate of 100% of fixed charges, which leaves very little attraction to either the preferred or common stocks.

KANSAS CITY SOUTHERN is one of the very few roads whose earnings are running far ahead of the standard return. Net income for the four months of operation under the new rates amounted to \$1,947,170, which is at the annual rate of \$5,151,200, compared with a rental of only \$3,535,427.

MISSOURI PACIFIC, in spite of a large falling off in traffic in December, man-

rental of \$14,206,814.

ST. LOUIS-SAN FRANCISCO earnings continue to run far ahead of Government guarantee. Net for December amounted to \$1,355,553, compared with \$1,498,906 in the previous month. Earnings for the four months were at the annual rate of \$17,220,000, as compared with a standard return of \$13,415,519.

ST. LOUIS SOUTHWESTERN continues to break all previous records. Although December gross showed a slight falling off from November, net operating income increased from \$497,449 to \$605,992. Earnings for the four months were at the annual rate of \$6,188,700, compared with a standard return of \$3,910,914.

TEXAS & PACIFIC reported an increase in gross from \$3,981,422 in November to \$4,255,221 in December. Net increased from \$308,407 to \$502,145. For the four months earnings were at the annual rate of \$4,500,000, compared with a standard return of \$4,107,432.

Middle Western Roads

CHICAGO & ALTON is another of the roads that is treading on dangerously thin ice. For the four months, earnings were at the annual rate of \$1,035,000. Standard return amounted to \$3,178,315.

ILLINOIS CENTRAL earnings took a slide in December. Net operating income declined from \$1,859,131 in November to \$965,330 in December, or 50%. Earnings for the four months were at the annual rate of \$18,186,000, or about \$300,000 ahead of the Government guarantee.

North Central & Northwestern Lines

PERE MARQUETTE showed a further falling off in gross, and net for the month of December. Gross amounted to \$3,101,663, as compared with \$3,732,141 in November, and net was \$203,928, compared with \$478,954. Earnings for the four months were at the annual rate of \$4,870,-

RESULTS OF FOUR MONTHS' OPERATION OF PRINCIPAL RAILROADS

Atlantic Coast Line is earning \$4.50 a share on its 7% common stock. This is after including the Louisville & Nashville dividend, which is not being earned.

Atchison is just about covering its common dividend.

Baltimore & Ohio is not covering its 4% preferred dividend.

Chesapeake & Ohio earnings are running at a record rate, over four times the 4% dividend on the capital stock.

Chicago, Milwaukee & St. Paul is only earning about three-fourths of its fixed charges.

Chicago & North Western is earning about \$3 a share on its 8% common stock.

Chicago, Rock Island & Pacific is just covering its fixed charges, leaving nothing for the preferred or common stocks.

Delaware & Hudson is earning its 9% dividend on the capital stock by a fair margin.

Delaware, Lackawanna & Western is earning the \$10 dividend on the capital stock by a very substantial margin.

Great Northern shows a balance at the annual rate of about \$6.15 on the \$7 capital stock.

Illinois Central is earning its 7% dividend by a very wide margin.

Kansas City Southern continues to operate at a record rate. Earnings are at the annual rate of over \$7 a share on the non-dividend paying common stock.

Lehigh Valley is only covering about one third of its \$3.50 dividend on the capital stock.

Louisville & Nashville is earning about \$4.50 a share on the \$7 capital stock.

Minneapolis & St. Louis is only earning at the annual rate of about 65% of fixed charges.

Missouri Pacific shows a balance, which is at the annual rate of about \$4 on the \$5 preferred stock.

New York, Chicago & St. Louis is earning about \$3 on its \$5 1st preferred stock.

Norfolk & Western is just about covering the 7% dividend on the common stock.

Northern Pacific shows a balance of about \$4.25 on the \$7 capital stock. This includes the Chicago, Burlington & Quincy dividend, which is just about being earned.

Pere Marquette is showing a balance of about \$4.20 on the common stock. No dividends are paid on this class of stock, however.

St. Louis-San Francisco continues to make an excellent showing. Earnings are running at the rate of about \$6.50 a share on the common stock. No dividends are paid.

St. Louis Southwestern is making the best showing of any of the southwestern roads. Earnings are at the annual rate of about \$17.50 a share on the common stock. No dividends are being paid, however.

Seaboard Air Line is just covering the interest requirements on its adjustment mortgage bonds.

Southern Pacific is covering the 8% dividend on the capital stock by a fair margin.

Southern Railway is only earning about three-fourths of its fixed charges. Dividends are still being paid on the preferred stock.

Texas & Pacific is earning a small balance on its capital stock.

Union Pacific reports indicate a very large balance over the 10% dividend requirement of the common stock.

Wabash is earning about ½ of its 5% dividend on the preferred "A" stock. No dividends have been paid on this stock since 1918.

Western Pacific earnings took a further drop in December and are now running at the rate of about \$1.50 a share on the common stock to be outstanding, when the stock dividend is declared. This does not take into consideration the Denver & Rio Grande earnings.

Wheeling & Lake Erie is earning about 60% of its fixed charges.

creased from \$5,829,116 in November to \$7,938,361 in December, or over 36%, and net operating income amounted to \$1,957,106, compared with a deficit of \$348,282 in November. Earnings for the four months were at the annual rate of \$5,968,000, compared with a rental of \$10,180,915.

aged to report a substantial net balance. December gross amounted to \$10,694,687, compared with \$11,777,259 in November, and net amounted to \$1,354,844 as against \$1,852,836 in the previous month. Earnings for the four months were at the annual rate of \$13,200,000, compared with a

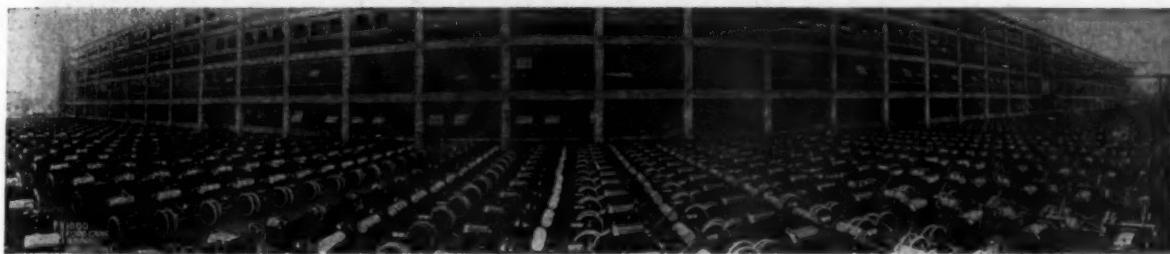
000, compared with a rental of \$3,748,196.

WARSH showed a slight improvement over November, but earnings for the four months were only at the annual rate of \$4,860,000, or insufficient to cover the preferred "A" dividend requirement.

(Continued on page 576)

Industrials

Bonds and Stocks



THE LARGEST AUTOMOBILE PLANT IN THE WORLD

A View of the Main Factory of the Ford Motor Co. at Detroit, with a Single Day's Output of 1,000 cars.

Motor Industry Recovering

Automobile Shows at New York and Chicago Mark Turning Point in Industry—Many Manufacturers Find They Have Reduced Prices Too Far

By W. A. WARREN

NOW that the two great national shows at New York and Chicago have come to a close, the situation in the automobile industry has begun to clarify itself to a remarkable extent. It is now possible to begin to get a line on probable conditions for the next six months, both from a manufacturing and financial point of view. The Chicago automobile show is regarded by men in the automobile business as a barometer of conditions. The New York show marked the opening of the season, but it is not until after the Chicago show has come to a close that men in this industry are willing to express their opinion or to formulate an opinion on the probabilities of their manufacturing programs for the next few months.

Business on Up Grade

To express in a few words what is felt to be generally true, business is on the up-grade. This not based on any mere willingness to be optimistic, but on the cold, hard facts as presented to the industry by those who attended the national shows. Everything harks back to the ultimate consumer. When he starts to buy, the business begins to move and not before. There is no use manufacturing automobiles unless people are buying them, and if this fact had been realized a little earlier there would not have been the surplus of cars accumulated which now exists. It has been estimated by trade authorities that there are probably 120,000 cars unsold and in the warehouses today. These are principally in the south, middle west and west. While sales have not been brisk in the east, the dealers' stocks have not accumulated to such a great extent. However, buying has started in certain territories in the country and if business conditions continue to improve as they have during January and the beginning of February, the buying wave is expected to spread over the country. The first encouraging reports are coming from New England, where automobile

dealers express themselves as more than satisfied with the re-opening of business.

From a general summary of all of the opinions expressed by leaders in the industry at the Chicago automobile show, it is very probable that automobile production for 1921 will run in the neighborhood of 1,300,000 cars. The fact that Ford is delayed in getting into production and probably will not be turning out cars for another month is the only thing which keeps this figure from reaching 1,500,000 cars. It is figured that the replacement business necessary, without any new customers, reaches this amount, and consequently manufacturers feel that this is a conservative figure, with the greater part of production being secured during the last half of the year.

Production during January is approximately 25% of normal in the automobile fields. During February it is expected that this is going to increase to some extent, and during March it will be materially increased. By May it is expected that the majority of factories will be on a 60% basis.

No Important Price Changes Expected

As far as the price situation is concerned, it is very much doubted if there will be any marked change throughout the industry in prices. Those who have not reduced to meet cuts made by other concerns will probably have to come down, but on the other hand, there are some concerns such as Franklin and Ford which notoriously cut off more than was justified. As a result of this, Franklin has already increased its price and the Ford company has announced that unless it reaches full production it will have to increase also. Since it is not possible that Ford will reach full production for some months, the increase in price is regarded as a certainty. The effect of an increase in the price of Ford cars is predicted generally to have a beneficial effect on the

buying public. It will indicate better than any words can express the fact that some of the manufacturers are down to rock bottom on their prices. A factor which should be considered is that concerns which are making a notoriously good car at a low price are selling. Without desiring to call undue attention to certain concerns to the disadvantage of others, it will not harm to cite one or two specific examples. Studebaker, of South Bend, during the dull period has managed to dispose of a tremendous number of cars. This concern is manufacturing the light six in the South Bend plant, which has recently been built and equipped with the most up-to-date machinery which it is possible to secure. These modern production methods have succeeded in cutting the labor cost down to a remarkable extent, with the result that the product can be sold for an exceptionally low price, considering its quality. This same applies to Nash and a score of other cars.

The buying public has been educated to motor car value perhaps more than to any other type of merchandise which exists. The reason for this is the human appeal of the motor car. There is no other product which has secured such a grip on the imagination and on the interest of the American public as the automobile. Regardless of the business a man is in, he is familiar in most cases with the running of a car, and very often with the characteristics of construction of different makes. Ask him details regarding sewing machines, coffee grinders or office building elevators and he will not know the first thing. But the children in the streets recognize the different makes of cars as they pass by.

A business such as this which has grown in popular interest and which occupies the remarkable position of the third industry in the country, with farming first and steel second, is bound to recuperate quickly. The fact that it is more than a two

billion dollar industry is sufficient to show that this business alone being started, is enough to pull practically all other kinds of business along with it.

Motor Shows Helped

The truth of the matter is that the business has started once again. It received its first forward impulse at the New York show. It received a still greater impulse at the Chicago show, and during the balance of the show circuit, which will cover the entire country, it will receive impulses which will start the public buying and bring the industry back again to its active position. Already, parts manufacturers are announcing releases on orders to supply the car manufacturer with goods. In a great many instances, factories which have been shut down are again opening. Men are coming back to work, and although wages are being reduced in accordance with the general scheme of reduction on all commodities, and particularly in living costs, there is a prevailing healthy

optimism. It is not expected that the business is coming back with a boom or rush. It is going to take five months before we reach the 60% of normal production which we estimate will be reached during 1921.

With the excess of cars on hand, it is very obvious that we must manufacture fewer cars than we sell. For this reason, sales effort is being stimulated all over the country. The sales at the New York and Chicago shows ran about 75% of what they were a year ago. But we must remember that conditions a year ago were abnormal. At that time, when a man ordered a car at the show he was very lucky if he would get delivery in April or May. This year he can have immediate delivery and, consequently, an order means that he will have to put up cash. Last year no such requirements were necessary, and as a matter of fact, a great many of the orders reported at the automobile shows were afterward cancelled. Attendance at the New York show was about 10 or 15% lower than in 1920, but 1920 was the

biggest year that the New York show ever had as far as attendance figures are concerned. On the other hand, attendance at the Chicago show ran from 10 to 20% ahead of 1920, in spite of the fact that 1920 was bigger than any previous year.

Sales were reported off the floors as usual, but the sales made at an automobile show should not be regarded as of tremendous importance. It must be remembered that a majority of the sales closed at the show were started perhaps weeks before the show opened, and the show was merely the occasion of closing the sale. Buyers in a town which is to be visited by an automobile show are apt to hold back until after they have seen the cars at the show before making their selection. New York and Chicago are no exception to this rule.

Recovery Should Extend Into April

To sum up the results of the automobile show and to cast an eye forward on the

(Continued on page 574)

Consolidated Textile Corporation

Remarkable Growth of Consolidated Textile

Starting as a Consolidation of Four Rather Small Companies It Has Grown Rapidly Into One of the Largest Factors in the Industry

By A. T. MILLER

THE Consolidated Textile Corporation is an example of an industrial enterprise possessing the very great strategic advantage of a management that is clear-headed, knows what it wants and gets it. When the Consolidated Textile Corporation was formed in September, 1919, as a consolidation of four relatively small companies, it was not intended that the corporation should be confined to this small limit. The consolidation was planned as the nucleus of a much larger affair which, it was hoped, would eventually become one of the leading factors in the textile industry of this country. Subsequent developments have justified that hope.

The original consolidation included the business and plants of the following three companies: The Pilot Cotton Mills Co. of North Carolina, Jas. N. Williamson & Sons and the Ella Manufacturing Co. of the same state. Later on the Lynchburg Cotton Mills of Virginia was added. These four companies, which manufacture various kinds of textiles, were in operation about 20 years prior to their absorption by Consolidated Textile. They are equipped with about 100,000 spindles and 2,500 looms. The accessory equipment, including water-power plants, dye houses, storehouses, workmen's buildings, etc., is very complete.

The Pilot Cotton Mills Co., Jas. N. Williamson & Sons, and the Ella Manufacturing Co. properties are all located within the heart of the cotton belt of North Carolina. Naturally, this is an important advantage as it enables the corporation to buy its cotton in the local market. Labor conditions in the South are also fairly conducive toward

industrial peace, and it is reported that none of the corporation's companies in the South have experienced serious labor difficulties.

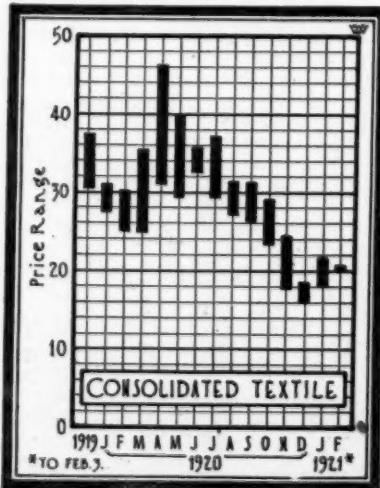
The Lynchburg plant, which is one of the largest in the South, has very fine facilities for storage of raw material and finished product. This plant alone has 56,000 spindles and 1,400 looms of

which are known as "Pilot Chambrays," "North State Flannels" and "Ella Print Cloths" are very well known in the textile trade and enjoy good prestige. Although these trade-marks are of practical value and represent an important good-will, the corporation itself carries these values on its books at only \$1.00. This latter is one indication of a conservative financial policy of which more anon.

The Growth of Capitalization

The acquisition of the above four companies was merely the foundation for the erection of a powerful well-knit enterprise. The directors, clearly perceiving that the company would expand, took the precaution to make the authorized issue 1,000,000 shares of no par value. At the time, no such capital was necessary and only 110,000 shares were issued, at \$30 a share. The proceeds from the sale of this stock were reserved for the acquisition of the entire capital issues of the Pilot Cotton Mills Co., Jas. N. Williamson & Sons and the Ella Manufacturing Co. These issues, in total, amounted to \$200,000 preferred stock and \$939,000 common stock.

In December, 1919, 55,000 shares of additional stock were issued for the acquisition of 90% of the entire stock of the Lynchburg Cotton Mill Co., amounting to \$600,000. In the following January, 110,000 shares of additional stock were issued for the acquisition of the entire \$1,000,000 common of the Windsor Print Works. At the time of this acquisition, the issued and outstanding capitalization of Consolidated Textile stood at 267,637 shares of capital stock, representing an increase of



the total spindles and looms owned and operated in the South by the corporation. An asset of great value is the 100 acres of land owned by the company. Part of this land is within the corporate limits of the City of Lynchburg.

When Consolidated Textile acquired the above four companies, it acquired all the assets of these companies, including trade-marks. These trade-marks

157,637 shares since the time of original consolidation. The increase of 157,637 shares, it will be noted, was due to the acquisition of \$1,600,000 plants.

Concluding with the acquisition of the Windsor Print Works Co., the corporation may be said to have completed the first broad phase of its development. Not a very large company, as we understand the word, it nevertheless represented quite an advance over the original consolidation.

The Purchase of B. B. & R. Knight, Inc.

The next important step in the rapid growth of this corporation was the acquisition, by purchase, of the B. B. & R. Knight Co., Inc., in the latter part of 1920. With the acquisition of this very important concern, Consolidated Textile became one of the leaders in the textile industry in America.

The purchase of B. B. & R. Knight increased the spindle capacity of the corporation's mills from 100,000 to about 650,000 and the loom capacity from 2,500 to about 16,000. In other words, the productive capacity of the corporation was increased approximately 550%.

B. B. & R. Knight has 17 plants



Photo Brown Bros.

COTTON LAPPERS

Making Rolls of Cotton Batting in a South Carolina Cotton Mill

stock to 802,911 shares of the 1,000,000 originally authorized. In addition, there are 136,620 shares unissued but held in reserve for the conversion of the \$3,000,000 convertible notes of the corporation. Upon conversion of these

shares, the corporation naturally has no long earnings history. During the period Jan.-Aug., 1920, or before the purchase of the Knight property, the corporation earned on its then outstanding 267,331 shares of capital stock, \$3,298,707 before Federal taxes. This was equivalent to \$12.32 a share for the 8-months period mentioned. On an annual basis, at this rate, the corporation would have earned about \$18 a share, on this capitalization. This compares with the \$3 dividend rate, now being maintained.

On the basis of the 802,911 shares outstanding at the end of 1920, earnings for the period Jan.-Aug., 1920, would have amounted to about \$4 a share or \$6 a share for the year, sufficient to cover dividend requirements by a fair margin, even after making full allowance for Federal taxes, depreciation, etc. This estimate is hardly complete, however, without taking into consideration earnings from the Knight mills which were not included in the \$3,298,707 mentioned above.

The Knight Co. earnings amounted to \$2,244,062 in the same period. On the 802,911 shares of outstanding stock, these earnings would have amounted to about \$3 a share. On an annual basis this would amount to about \$5 a share. In other words, when Consolidated purchased the Knight Co. it purchased an earning power of about \$5 a share additional. Under normal conditions, therefore, the corporation should earn on the combined properties an amount not less than \$10 a share.

The Outlook

During the latter part of 1920, the corporation naturally felt the slump in the textile industry. Several of its mills were reported to be operating on a lower capacity basis and there have been some wage cuts. As to how this development affected earnings, it is impossible to say, as no statements have been published recently. The fact, however, that the corporation has recently paid its regular 75 cent quarterly dividend would seem to indicate that the period of depression has been passed in a more or less satisfactory manner.

Since the beginning of the year, developments in the textile industry, on

TABLE I.—CONS. TEXTILE CORPORATION.

Growth of Capitalization.

Date	Shares Issued	For Purchase of	Price Paid
Oct., 1919	110,000	Pilot Cotton Mills Co.	\$400,000
Dec., 1919	55,000	Jos. N. Williamson & Sons....	619,000
Jan., 1920	110,000	Ella Manufacturing Co.	120,000
Nov., 1920	535,274	Lynchburg Cotton Mills Co. (90% capital stock)	540,000
Total	810,374	Windsor Print Works	1,000,000
Deduct	7,363	B. B. & R. Knight Co.	10,000,000
Now Outstanding	802,911		
Add	136,620		
Total Outstanding upon Conversion..	939,531		
		(shares unissued)	\$12,679,000
		(For conversion 7% conv. debon.)	

Note.—The above does not include the acquisition of certain other properties, such as the Union Cotton Mills, Bonham Cotton Mills, etc.

located throughout Rhode Island and Massachusetts. Including the new Royal Mill which is to be completed soon, the total floor capacity of this large company will be 3,000,000 square feet. The mills employ about 5,500 normally and this will be increased when the new plant goes into operation.

Water power facilities are excellent throughout most of the year. The installed power capacity of the mills consists of 18,300 horsepower steam and 7,700 horsepower water. The rest of the equipment is very complete and modern.

This fine property was first acquired by Mr. F. K. Rupprech, the president of Consolidated Textile, and his associates, who later transferred the property to the corporation at the original price paid, \$10,000,000 and interest. The payment of so large a sum naturally necessitated new financing and in order to secure the sum needed, it was decided to issue 535,274 shares of the 725,000 remaining authorized, but unissued. This stock was offered to shareholders on the basis of two new shares for each share held at the price of \$21 a share.

This brought the total outstanding

notes, the total outstanding capitalization will consist of 939,531 shares of capital stock which almost completes the authorized quota of 1,000,000 shares.

It must always be borne in mind, in connection with the increase in the capitalization of Consolidated Textile, that the additional stock offerings were for the purpose of acquiring very valuable properties. There is no real comparison between the Consolidated Textile of 1919 and the corporation of today. The acquisition of the Knight Co. represented the acquisition of about \$40,000,000 property. The fact that the corporation was able to secure this property at a price about \$30,000,000 under its acknowledged value indicates the resourcefulness and money-making power of its executives. A bit of superlatively fine financing was accomplished when this property was acquired and it in no way impaired the financial position of the company. As a matter of fact, the earning power was very considerably increased without assuming any additional corporate indebtedness, the obligation being in the form of capital stock.

Earnings

Viewed as a corporate entity, con-

TABLE II.—INCOME ACCOUNT.
(Jan.-Aug., 1920.)

Gross Profit	\$4,627,785
Expenditure and Depreciation	290,147
Net Profit	\$3,637,638
Other Income	72,513
Total Income	\$3,711,551
Interest, Organization, etc.	412,844
Balance	\$3,298,707
Dividends	401,435
Burplus	\$3,097,288

the whole, have been more promising. There has been a revival of activity and the outlook appears more satisfactory than for some time. The corporation has been favorably affected and there is reason to believe that the coming year will see some good results.

As of Aug. 28, 1920, the financial position of the company was good. Thus, current assets amounted to \$11,321,934 and current liabilities to \$6,402,531, leaving net quick assets of \$4,919,402 or equivalent to almost 50% on the then outstanding capitalization. Compared with the present capitalization, this working capital would have amounted to about 20%, which is satisfactory.

Inventories were carried at \$4,447,624 which is not large considering the amount of gross business done. The figure is carried at a depreciated value, full allowance having been made for the drop in prices as of that period. Since then there have been other declines, so that further write-offs will probably have to be made.

The Convertible Notes

There are \$3,000,000 convertible 7%

notes dated April 1, 1920 and due April 1, 1923. When the 535,274 shares of additional capital stock were issued last November, these notes automatically became convertible at the offering price of \$21 a share. The conversion rate on each \$1,000 note is equal to 47.62 shares so that at any price above \$21 for the stock, conversion of the notes becomes profitable. As the stock is now selling at about \$20 a share, it will be seen that the conversion privilege is not of remote value. It is also well to take into consideration that the corporation will probably prefer that these notes be converted rather than have to take them up when due, so that this element should add to the speculative attractions of both the notes and the stock. The notes themselves are well-secured and regarded simply as an investment are sufficiently attractive,

without considering the speculative element attached.

The stock has sufficient attractions to be considered a speculation of rather more than usual merit. At its present low price—\$20 a share—the yield is 15%. Ordinarily this large figure would indicate some doubt as to whether the dividend rate could be maintained but hardly so in this case, unless conditions become radically worse. While the dividend rate on any common stock is always susceptible to fluctuations in earnings, considering the pre-eminent position of the corporation in the textile industry, its demonstrated earning power under normal conditions, the sagacious policy of the management and the firm financial position of the corporation, optimism concerning the long-pull outlook for this stock would seem to be warranted.—vol. 26, p. 542.

The Cuban-American Sugar Company

The Premier Raw Sugar Producer

Remarkable Earnings of Cuban-American Co. During the Past Few Years Have Greatly Strengthened Its Financial Structure and Improved Its Operating Properties—Strong Asset Position but Common Shares Still Speculative

By J. C. LESLIE

THE war period was one of great prosperity for Cuban raw sugar producers. Due to the fact that the battle lines of Europe cut off the great beet sugar producers from the rest of the world, the cane-growing regions had to make up the deficit. Before the war Germany was by far the largest beet sugar producer, with Austria-Hungary second, while the United States ranked only fifth.

The sugar-beet requires expensive irrigation, cultivation and care, involving high-priced temperate zone labor; whereas, the cane, in suitable surroundings, requires no irrigation and little or no cultivation—only harvesting by cheap tropical help.

Of all the localities where sugar cane can be successfully raised, Cuba and Java seem, by nature, best fitted for the production of the crop. Cuba and Java are both long, narrow islands of approximately the same area, one lying about as far north of the equator as the other lies south; both have the same amount of heat and moisture; but in the extreme fertility of its soil, Cuba shows a marked superiority over Java. With a depth in some places of as much as 30 feet of soil, the richness is such that cane, with a single planting, will bear its annual crop from six to ten years. The geographical location of Cuba gives it another decided advantage over Java.

Sugar has come to be recognized as one of our principal foods, and it has always had the broadest and most easily accessible world market. Cuban sugar is a dominant factor in the American sugar market since domestic production here in this country is too small to control the situation.

Properties Aggregate Half Million Acres

During the past few years the value of sugar has been brought home to the public as no advertising could have done. As a

consequence, the minds of investors turned to examine the sugar companies, their operation and the future of the industry. In sugar circles it is generally admitted that the Cuban-American Sugar Company is the most substantial and the strongest financially of any of the larger Cuban sugar producers.

This company was incorporated in 1906 as a holding company and acquired concerns engaged in cultivation of sugar cane, and in the manufacture of raw and refined sugar on the Island of Cuba. The combined properties are very extensive and aggregate over 500,000 acres of land, less than one-third of which is in cane, leaving a very large reserve area for future development. The company also has six sugar factories, two refineries and numerous buildings and plants used in connection with its work. The large wharves and warehouses, the steam tugs and barges and

two methods, namely, by the administration or by the colono systems. The company has a large percentage of administration cane, under which method of production the management engages its own labor and does all the work of planting, cultivating, harvesting, etc., and is not obliged to divide with the colonos, or tenant farmers, any high prices which may be obtained. Under the colono system, the company leases to tenants (colonos) tracts of land for a period of years, and advances to them a specified amount of money per acre to clear and plant the land, these advances being repaid from the proceeds of the cane delivered by the colonos to the company. The price paid to such colonos for their cane is based upon the market price of sugar, and they receive from 4% to 8% of the weight of their cane in sugar, based upon its market value. This concern is fortunate in having a large percentage of such

CUBAN-AMERICAN SUGAR.					
Year Ended September 30	Earned on Preferred	Dividends Paid on Preferred	Earned on Common	Dividends Paid on Common	
1914	35.08%	7%	31.06%	Mil	
1915	71.66%	*14%	71.53%	Mil	
1916	105.11%	7%	105.58%	120%	
1917	85.40%	7%	64.25%	20%	
1918	65.35%	7%	45.27%	10%	
1919	94.09%	7%	65.75%	10%	
1920	154.97%	7%	116.80%	40%	

*Includes 7% accumulated dividends.
In addition to this cash dividend, a stock dividend of 40% in common stock was paid October 2, 1916.

the complete telephone and railroad systems have all been developed to permit the greatest operating economy. The properties have an estimated annual capacity of production in excess of 300,000 tons of raw sugar and 100,000 tons of refined, and are regarded as one of the best sugar properties on the island.

Cane is produced on Cuban estates by

acreage, under this colono system, located in sections of Cuba where the lower rate prevails.

Remarkably High Earnings

The earnings of the company during the past seven years have been astounding. After paying enormous taxes, it showed a total amount earned on the common of

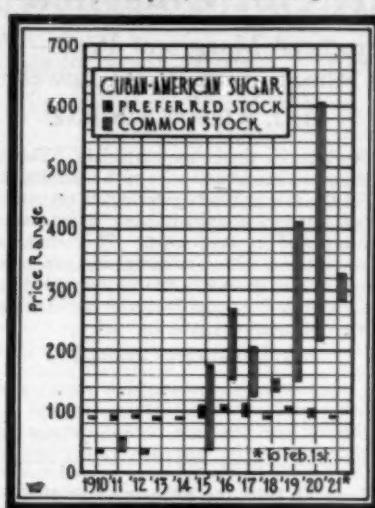
over 500%, or an average annual rate on the junior issue of over 70%. This may be more fully appreciated when we note the increase in working capital from \$2,186,379 in 1914 to almost \$16,500,000 in 1920. In the same period, cash on hand or in banks has increased from \$754,784 to over \$4,800,000, which accounts for some of this increase in working capital.

In the 1918-1919 fiscal year, after putting aside a reserve for income and excess profits taxes equal to 40% on the common stock, the company reported surplus earnings equal to 68 1/4% on this junior issue. This remarkable showing was made with raw sugar selling at a fixed price of 5 1/2 cents a pound.

During the past fiscal year the management sold raw sugar on a gradually rising scale up to 22 1/2 cents a pound, and the resultant earnings were very large. Although production was 18% less than the previous year, earnings reached the huge percentage of 116.80% on the common stock, but this figure does not fully represent its earning power, since such large taxes had to be paid on these enormous profits. As is usually the case, the common stock discounted the excellent

Common Shares Still Speculative

The assets behind the common stock are large and the earnings of 68 1/4% in the 1918-1919 fiscal year, when raw sugar sold



cash position and the efficient management of its properties should enable Cuban-American to maintain a fair dividend rate on the junior issue. It must be remembered that the present price of 28 on the new ten-dollar par stock is equivalent to 280 on the old stock of \$100 par value. This common stock is still in the speculative class, and should be treated as such until conditions in the sugar industry have been stabilized for a longer period.

The preferred is a 7% cumulative issue, and at the price of 94 should make a very attractive investment. The yield at this price is 7 1/2%, and since the last of the serial notes fell due January 1, 1921, this issue has first claim on both assets and dividends.

FUTURE HOLDS PROMISE OF SOUND BUSINESS

Posner & Co. Predict Active Market Next Fall

"As we see it, and as we believe the majority of the business public sees it, the future does not hold expectation of a return to the abnormal activity of



Photo Brown Bros.

CUTTING CANE ON A CUBAN PLANTATION

Because of Its Location and Richness of Soil, Cuba Is a Dominant Factor in the American Market, the Cuban-American Co. Alone Producing an Excess of 300,000 Tons of Raw Sugar Annually

earnings some time before the reports were made known, and after its spectacular rise to over \$600 per share, the common was doomed to react.

Assets

The company's capitalization at the close of the fiscal year in September, 1920, consisted of \$2,000,000 first lien 6% serial gold notes due January 1, 1921; \$7,893,800 7% cumulative preferred and \$10,000,000 common stock, or a total capitalization of \$19,983,800. Against this the company has a net working capital of \$16,414,688, or enough to retire the entire amounts of funded debt and preferred stocks and pay off over 65% of the common stock at par. This is working capital alone. When we consider the book value of the properties and plants (after deducting the reserve for depreciation) we have a sum of almost \$28,000,000, and this figure seems conservative. Other assets still further increase the values behind the common. There is no property in Cuba, and probably none in the world, that can excel the Cuban-American property in efficiency and economy of operations.

at 5 1/2 cents per pound, show that the company is able to make profits even with low prices for raws. This concern is one of the lowest-cost sugar producers in the world, and its operations are so efficient that it could reasonably be expected to show a profit even at prices for raw sugar which would cause other companies to operate at a loss.

The raw sugar market appears to have become somewhat stabilized; nevertheless, the stocks of sugar on hand in the United States at the present time indicate an ample supply for the coming year, and with foreign production getting back to something like real production, the world supplies should be adequate.

The enormous profits in the sugar industry caused a great influx of capital into that business, with a consequent large increase in productive capacity, and it may be that before any pronounced advance in price is recorded the weakest of these concerns must stop operations. Hence the enormous profits of the past few years cannot be expected to continue even with this company. Nevertheless, its strong

the latter part of 1919 and the early months of 1920—a return to which would be undesirable; but it does hold promise of a gradual revival of business on a sound basis. Dangerous conditions have been corrected, and there is now a much improved foundation for true prosperity. Trade improvement is already finding its way back to the primary markets, and the business agencies are reporting tangible evidences of progress towards recovery.

"How will the stock market perform in view of this business improvement and the prospect for further progress? We believe that it will discount in quite generally improved stock values the expected spring revival; it will immediately anticipate and accompany the seasonal business dullness of the summer months, and should show pronounced vigor in the early fall. Barring unforeseen happenings, not now conceivable, market movements should, in accordance with precedent, act in harmony with the successive, impending business developments."

One Company Not Enriched by the War

High Prices Cut Down Jones Brothers' Margin of Profit—Feverish Market Also an Obstacle
—Better Things Ahead With Prices Lower and More Stable

By J. WILSON THORNE

NOT all business concerns profited from conditions arising from the war. Companies like Jones Brothers Tea which have to depend on a large volume of business, low retail prices, small profits per sale and a quick turn-over, had hard sledding during the past few years. High prices cut into the company's margin of profit and the feverish condition of the markets in which the company does its buying, made business operations precarious, not to say uncertain.

On the other hand, the passing of high prices and extravagance, and the greater enforcement of economy on account of the newer conditions should play an important part in increasing the company's volume of business. Above all, the stabilization of prices should result in a greater margin of profit than has been the case for the past few years.

Nature of the Business

Jones Brothers Tea is a retail chain store system operating in the grocery field. Together with its subsidiaries, it owns and controls about 400 stores located in all the principal cities and towns in practically every state in the union.

In a general way, the activities of the company may be said to consist of importing, manufacturing and distributing. It imports teas, coffees, spices and similar food articles, manufactures these into a form ready for consumption and distributes them directly to its 400 stores for sale to the individual consumer.

Jones Brothers Tea was organized Dec., 1916, out of a business which started nearly fifty years ago with an original capital of less than \$1,000. Previous to incorporation, the Globe Grocery Stores, Inc., was acquired as a subsidiary, and in 1916, the Grand Union Tea Co. and the Anchor Pottery Co. were acquired. From the beginning, the company has been in the hands of the Jones family, who have been responsible for the steady growth of this interesting concern.

The manufacturing and importing end of the business is carried on by the parent company. The Globe Grocery Co. and the Grand Union Tea Co. do the distributing and the Anchor Pottery Co. manufactures the china which is given away as a premium to the customers of the 400 stores.

A Self-Contained Organization

The entire policy of the company is to eliminate any expenditures which would ordinarily be incurred by way of purchasing materials from wholesalers and other middlemen. The company practically does everything but

produce its own raw materials. These it purchases directly from the producer. All the raw products entering its manufacturing are purchased in very large quantities and at first cost. This ensures elimination of all unnecessary expense, and the company is thereby enabled to distribute its manufactured articles to the consumer at a lower price.

The Decline in Earnings

As suggested above, high prices and other unfavorable features typical of the war and post-war period, cut a good slice out of the company's accustomed earnings. In the 16-year period ended June 30, 1916, the company was able to show an average annual profit of \$800,000. After deducting dividend payments on the \$4,000,000 7% preferred stock, this left an average annual balance of \$520,000 on the \$10,000,000 common stock (\$100 par value) or \$5.20 a share.

In the period 1917-1920, earnings dropped heavily. Instead of earning an average of \$5.20 a share on the common stock as in the period 1900-1916, the company earned as follows: 1.49% in 1917, 1.01% in 1918 and 2.15% in 1919. The company's report for 1920 has not been issued yet, but I am given to understand that earnings were about \$200,000 less than in 1919 so that practically nothing was earned on the common stock last year. It is apparent

and in 1919, \$1.50 a share. The increase in the dividend rate from \$1.50 in 1919 to \$2 in 1920 was due to the increase in earnings in that period from 1.01% to 2.15%. Had the company been able to foresee the subsequent decline in earnings, it is to be doubted that it would have increased the rate of disbursement. In any event, the dividend was passed with the usual reason given, namely, to conserve working capital.

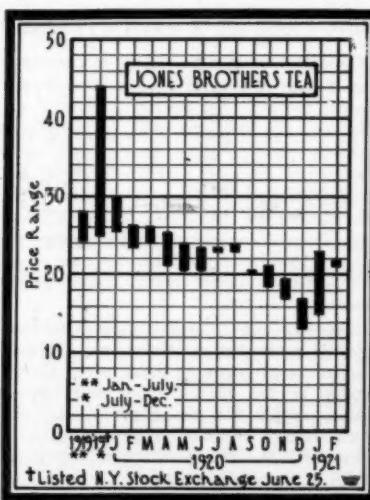
Inventory Losses

It has been officially stated that the company suffered no substantial inventory losses except in sugar. All such losses were promptly absorbed in the month where such depreciation occurred. In a letter to the stockholders, the president declared that no further depreciation was anticipated but this is to be doubted as there have been further declines in the market since the time of writing. No doubt, the shrinkage in 1920 earnings is, in great part, due to absorption of inventory losses, necessitated by the decline in prices.

Commodities, however, have already declined considerably more than they can in the future and 1921 is expected to be a year marked by greater market stability. The company will probably not be compelled to write off any large amount for inventory losses and earnings consequently should be much larger. The sales of the company have been steadily growing over a period of many years and the war in no way affected the expansion. The main difficulty was the unstabilized market. When prices are stabilized again, the increased volume of sales of the company should afford a substantial profit as in pre-war years.

Capitalization

The company has no funded debt. There is \$4,000,000 7% preferred stock authorized and outstanding. This is an exceptionally closely held issue, practically all the stock being held by members of the Jones family and its close associates. The common stock alone is listed on the New York Stock Exchange, the nature of the preferred stock control requiring no market for this latter issue. In 1919, the common stock sold as high as 44. During 1920, it maintained an average of about 25, but sold down to 13 in the liquidating movement of November-December. Subsequent to the passing of the dividend in January the stock had a good rally selling up to about 23. It is now quoted at about 21. The stock has favorable prospects for the long-pull, but it is hardly to be expected that dividend payments can be resumed for a considerable period.—vol. 24, p. 589.



from this record, that the company did not profit in the slightest from war conditions.

In fact, developments in general industrial conditions with its reflex on the company's earnings, led last month to the passing of the dividend rate on the common which was \$2 annually. In 1918, the company paid \$1 a share

Peace-Time Prospects of Worthington Pump

Company Seems to Have Readjusted Itself Quite Completely from War Status—Products Enjoy Wide Market

By ALEX MOSS

IN common with other industrials, the three classes of stock of the Worthington Pump & Machinery Corporation listed on the New York Exchange have declined during the past year or more. This despite the fact that the Worthington corporation is free of many of the handicaps characterizing other industrial concerns at the present time.

In the first place, the Worthington corporation has entirely readjusted itself to peace-time operations.

Secondly, the company does not have to

If we may judge of the worth of a company by the products which it produces, then Worthington must be given a high rank. A list of the principal equipment of the corporation reads like a heavy machinery encyclopedia. Here is a close-up: Power pumps for all purposes, air and gas compressors, surface condensers, gas engines, gasoline engines, oil engines, rock crushers, elevators, screens, kilns, cement machinery, smelting machinery, mining machinery, crushing rolls, wood preserving machinery, water meters, oil meters,

many diversified products is either a century-old organization that took root and branched out in numerous directions until it was the father of a multiplicity of products, or else it is an amalgamation of a number of different companies, each by itself specializing in certain types of machinery and apparatus. The Worthington corporation belongs to the latter class. It will be recalled that the Worthington Pump & Machinery Corporation was incorporated April 20, 1916, under the laws of West Virginia, with a perpetual charter, as a reorganization of the International Steam Pump Co. Pursuant to the reorganization plan, the newly formed corporation on April 22, 1916, acquired all of the property of the International Steam Pump Co.

The holdings of Worthington now include the following plants: Blake & Knowles Works, East Cambridge, Mass.; Deane Works, Holyoke, Mass.; Worthington Works, Harrison, N. J.; Snow-Holly Works, Buffalo, N. Y.; Epping-Carpenter Works, Pittsburgh, Pa.; Jeanesville Iron Works, Hazleton, Pa.; Laidlaw Works, Elmwood Place, Ohio; Power and Mining Machinery Works, Cudahy, Wis.

Of the foregoing, all are owned in fee by the Worthington Pump & Machinery Corporation except the Worthington Works, owned by Henry R. Worthington (a New Jersey corporation), of which the Worthington Pump & Machinery Corporation is the owner of all the capital stock except a few common shares.

Speedy Post-War Readjustment

Worthington Pump did a large war business. When the volume fell off the officials of the corporation lost no time in their efforts to establish a substantial peace-time business. To realize the greatest possible advantage from the changing conditions, the corporation, in addition to its branches in every important

TABLE I.—WORTHINGTON PUMP AND MACHINERY.
Four Years' Business.*

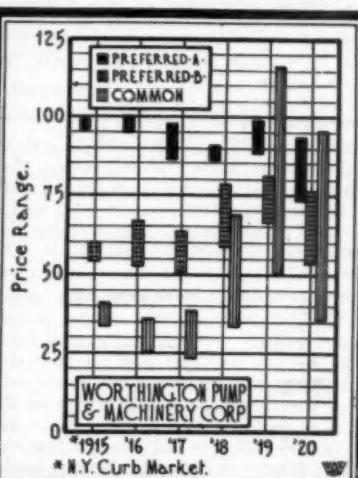
	1916	1917	1918	1919
Bookings	\$19,750,556	\$34,040,241	\$61,150,572	\$15,544,452
Billings	32,074,592	43,442,485	28,407,679	14,007,031
Profit from manufacturing and trading..	4,005,474	7,265,135	6,202,285	2,001,768

*After deducting depreciation.

depend upon any one industry as an outlet for its manufactures. The machinery which it fabricates finds its application in almost every industry of any importance. As one of the largest (if not the largest) manufacturers of pumps, condensers and gas and oil engines in the world, the Worthington Pump & Machinery Corporation has for its potential customers all the basic industries, including the railroads and the public utilities. Every step toward rehabilitation and reconstruction in each of the many fields of industrial activity must in the nature of things be mirrored by increased activity in Worthington's business. This statement is based upon the knowledge that the company's products enjoy an enviable reputation for "delivering the goods."

Thirdly, the company is not confined to any one country for the sale of its machinery. The world is its market.

Fourthly, the company does not manufacture goods for the purpose of "stocking up." Its different types of heavy machinery are made "on order," in conformity with specifications furnished by the customer. It has, it is true, concentrated upon the construction of various pumps and other machinery which it has under course of erection at all times, but this apparatus is staple, being designed to meet certain recognized needs in many industries. The "on order" machinery and apparatus takes anywhere from three to four months to complete, so it can readily be seen that temporary industrial setbacks cannot affect Worthington so seriously as it can manufacturers in other lines, particularly those who cater to a day-to-day demand. In other words, the company cannot be caught with large stocks of unsold goods on its shelves or in the hands of dealers. There is no such thing as surplus production with Worthington, to be written off at a loss or liquidated in times of falling prices.



* N.Y. Curb Market.

TABLE II.—WORTHINGTON PUMP AND MACHINERY.
Comparative Income Accounts.

	1916	1917	1918	1919
Gross sales	\$10,655,576	\$28,407,690	\$48,443,486	\$32,074,592
Operating expenses and depreciation	9,179,860	22,308,414	38,058,350	27,169,118
Federal taxes .....	.....	1,504,857	4,000,000	2,000,000
Adjustments .....	.....	236,046	468,232	.....
Net earnings	\$1,475,896	\$4,410,882	\$2,922,904	\$2,905,474
Other income	130,180	52,286	245,551	378,631
Total net	\$1,605,876	\$4,463,168	\$3,168,455	\$3,284,105
Bond interest	23,577	30,803	30,680	27,041
Balance	\$1,582,300	\$4,432,865	\$3,137,775	\$3,257,064
Dividends:				
Preferred "A"	293,624	391,495	391,495	391,495
Preferred "B" .....	.....	464,475	619,300	619,300
Surplus	\$1,288,800	\$3,576,992	\$2,126,977	\$2,946,266

agricultural tractors (in France), filter presses, locomotive feed water heaters.

Company's Formation

Naturally, an institution turning out so

city in the United States, opened branches in all parts of Europe. The corporation owns all the capital stock of Société Française des Pompe et Machines Worthington, having works at Le Bourget,

France. These works are now being enlarged to admit of the manufacture of agricultural tractors, at present in great demand in France. The corporation owns also the Worthington Pumpen und Maschinenbau Gesellschaft m.b.H., with works at Berlin, Germany; Actiengesellschaft für Worthington Pumpmaschinen of Budapest, Hungary. Worthington also owns the controlling interest in Worthington-Simpson, Limited, an English corporation having works on Newark-on-Trent. In addition to these it has special representatives in many foreign countries. The foreign sales for 1920 were very much in excess of those for 1919.

A Stable Financial Position

Financially, the Worthington Pump & Machinery Corporation is as solid and stable as the heavy machinery it manufactures. It is embarrassed by no financial problems. The company issues no report preliminary to its regular annual report to stockholders, which will be forthcoming some time in March, but an important official of the company is authority for the statement that the year just closed will show a larger volume of new business booked and a larger volume on hand December 31 than the previous year. While net earnings have shown some falling off in 1920 from the 1919 record, when 17.28 a share was shown for the common stock (par \$100—\$12,992,149 outstanding, including \$780,000 held by trustees December 31, 1919, issuable to enlist aid of new interests), the net for 1920 will be equal to more than twice the \$6 dividend rate on the common. Current bookings are well over \$10,000,000 ahead of the rate for the corresponding period last year. The corporation has no floating indebtedness and net current assets of \$20,000,000, equal to about \$150 a share on the common.

Dividends have been paid on the preferred A stock (par \$100—\$5,592,833 outstanding), at 7% continuously since the formation of the corporation in 1916. Dividends have been paid on the preferred B stock (par \$100—\$10,321,671 outstanding) at 6% continuously since July, 1917, and on the common stock continuously since April, 1920. The Class B 6% preferred stock was made junior to the Class A 7% preferred as to assets and dividends until full dividends had been paid on both classes of stocks for three successive years. With the payment of the dividend on April 1, 1920, the Class A ceased to have priority. Another provision attached to Class B preferred stock was that dividends should be non-cumulative up to April 1, 1919, and cumulative thereafter.

Class B preferred stock is on a parity with Class A with respect to precedence and differs from the latter only in its dividend rate and redemption rate. In event of involuntary liquidation, both Class A and Class B must receive par and accrued dividends before any dividend is made on the common; but if such liquidation is voluntary, the Class A stock must receive 115% and Class B 105%. Class A stock is subject to redemption at 115 and Class B at 105.

While Class B may not show any great price enhancement in the immediate future, yet it possesses all the merits of a sound

investment, primarily for income, if purchased around the low levels of recent days. At 64 the annual return is above 9%. The high and low for this stock and the high and low for the Class A and the common, since the reorganization of the corporation in 1916, will be found in the accompanying graph.

The common stock of Worthington is secured by net assets equivalent to more than \$150 a share, of which quick assets constitute nearly two-thirds of the amount. Based upon its earnings of the past four years, the common at current levels possesses all the features of an attractive speculative purchase. Except for a small issue of subsidiary bonds (\$506,200 in all), the Worthington Pump & Machinery Corporation has no fixed obligation. The stock of the corporation is held in a voting trust with five trustees. This trust will expire on April 1 of this year, at which time owners of securities will receive stock certificates in place of the voting trust certificates they now hold.

Management Expects Better Business

That the management expects a resumption of big business is attested by the fact that it is pursuing its policy of making improvements and extensions to manufacturing facilities. It has an ambitious program of new undertakings under way which is bound to have a vital effect upon the future prosperity of the company.

Among its newer products are the new marine Diesel engine, smaller semi-Diesel engines for commercial purposes and locomotive feedwater heaters. The story of the perfecting of the new engine in the Snow-Holly Works at Buffalo makes a chapter in itself. Without successful Diesel propelling engines our merchant marine will dwindle away into nothingness within the next ten years, crushed by foreign competition. The Worthington people have designed, built and completed a merchant-marine type fuel-oil engine of large size which in design and construction is considered the equal of any yet produced in Europe. This engine, which represented an investment of \$500,000 before it was completed, in a recent test ran for 30 days with but one slight interruption for minor adjustments. The ability to turn out engines of this type for the merchant marine represents a valuable asset to Worthington, and one that must not be belittled.

The future of Worthington Pump & Machinery Corporation appears most promising. Under the capable and conservative management that has characterized it in the past, its earnings should continue at a satisfactory rate, warranting a continuation of dividends on the common stock and an eventual appreciation in the market price of all three classes of stocks.—vol. 27, p. 322.

POSSIBILITIES OF THE TRUNK LINE RAILS

(Continued from page 534)

the stock in 1913 and 8% in 1920, or about 1½ times as great. If we assume that earnings of 7% for the stock should make it sell at par, the price range represented by this change in assumed earnings for 1913 would be from 33 to 110; but in 1920, the same change in earnings would represent a price range from 14 to 128.

The actual price would not, of course, fully respond to such changes in earnings, because investors would assume that the change was temporary and would estimate the value of the stock partly on the basis of results over a series of years; but an understanding of the principle involved makes it very clear that an increase in the proportion of bonds in the total capitalization has a very important effect towards wider price changes in the stock.

A good deal has been said about the effect of the so-called Government guaranty of 6% on actual investment (really only a sort of moral guaranty, since rates rest upon the decision of the Interstate Commerce Commission) in the way of stabilizing earnings and therefore prices also. This applies still more strongly to the provision of the law which provides for the "recapture" of part of the earnings in case they rise above the stated rate of return.

But it is evident that the effect of the influence we have just been examining is in exactly the opposite direction, or toward de-stabilizing the prices of railroad stocks. In the case of New York Central, a change from earnings of 4% on total capitalization to 6% from one year to another might easily occur. But if investors saw the balance earned for their stock shrink to 1%, their feelings would

certainly be reflected in lower prices; and if, let us say, two years later, that balance rose to 9%, they would be encouraged to pay a good deal more for the stock—regardless of the Government "guaranty."

Fluctuations Will Continue

I believe, therefore, that fluctuations in railroad stock prices are by no means a thing of the past. The actual working out of the new law as applied to any particular road is in itself still a matter of much doubt, and if we have the usual changes in business conditions from year to year it will remain a matter of doubt for a long time.

When we add to these uncertainties the fact that most railroad stocks, because of the smaller proportion of net earnings left over after bond interest requirements, will show relatively wider changes in the percent earned for the stocks year by year; and when we further remember that railroad companies are not only permitted, but almost instructed by the law to combine—under I. C. C. supervision—and that such combinations will not only appeal to the imagination of investors, but will have a decided effect on the movements of traffic and therefore on possible earnings, it seems to me that there is abundant reason to expect price fluctuations of the next few years to equal those of the past.

At present many railroad investors have the blues. It may be that Trunk Line roads have not, even yet, seen the worst. But when the turn comes, as it must, it will be found that possibilities of higher prices are greater than now appreciated by the majority. Stabilization will not be so complete as to prevent considerable price changes.

Answers to Inquiries

ATCHISON CONVERTIBLE 4s

Comparison with Stock

Atchison, Topeka & Santa Fe Railway Convertible Gold 4s, due June 1, 1960, are high grade investment bonds. You are well aware that Atchison has been making one of the best showings of any of the railroad companies. The latest bulletin on this road shows a balance of \$5.80 per share on the common stock for the four months ended December 31, 1920. There can be no doubt as to the safety and high rating of these bonds. The bonds are now selling around 82, at which price they yield 5.05%.

These bonds are convertible into the common stock of the company at par, or at the rate of 10 shares of stock for one bond. The stock is now selling around 82, so that at the present market price the value of 10 shares of stock would be equivalent to the present value of one bond.

Atchison common probably represents one of the best railroad stocks at the price, and offers excellent speculative opportunities. Some idea as to the valuable oil holdings which the company has was given in the 1919 report, when the company received over \$7,200,000 in dividends from oil properties. Only within the last few weeks Atchison has sold as high as \$85 a share, and if the bonds were purchased today at 82, a recovery to this price would mean a profit by conversion of \$30 on each bond owned. The income return is rather low, however, and we believe that the stock at 82 paying 6% is the better investment opportunity for the time being for those not committed to purchasing strictly gilt-edge bonds. At some future time it may be better to choose the bonds, but they do not at present exceed the stock in attraction.

EQUITABLE TRUST CO. OF N. Y.

A Strong Institution

Equitable Trust Company of New York has deposits of approximately \$240,000,000 and cash on hand in excess of \$50,000,000. Dividends of 20% annually are paid upon the stock, and at this writing it is quoted at 285 bid, 290 asked. The stock is a conservative kind of investment for a wealthy business man who will not be worried by ups and downs as to price, and can hold indefinitely.

BROOKLYN RAPID TRANSIT CO.

Certificates and Stock

Brooklyn Rapid Transit Certificates cannot be re-exchanged for the stock. The only way to make a change in one's holdings would be to sell the certificates and repurchase the stock, but in this one would lose, as such certificates usually sell a few points under the regular stock certificates, because the regular stock issue has a ready salability, by reason of its facility in handling and transferring.

While the prospects for the various traction companies in Greater New York

appear to be improved by proposed legislation, we believe your suggestion of a switch into General Motors around 14 is a good one. This company has such a diversified output of motor cars and motor products that it has not been as seriously affected by the slump in the motor trade as many of its competitors. The entrance of the du Pont interests into the company has been a source of strength, and we believe in any improvement in the general market that the price of these shares should advance to a fair extent.

NEW YORK, SUSQUEHANNA & WESTERN 5s

A High Grade Bond

New York, Susquehanna & Western Terminal 5s, due 1943, are considered high grade investment bonds. There is outstanding of the issue \$2,000,000. The bonds are secured by a first mortgage on three miles of double track railroad, extending from Little Ferry Junction to Undercliff, N. J., on the Hudson River, opposite about 10th street, New York, including a one-mile double-track tunnel under the Palisades; also about 62 acres of terminal property and facilities fronting on the Hudson River, with yard tracks, coal and freight docks, roundhouse and other terminal structures.

The present market price of these bonds, around 80, simply reflects the general condition of the bond market in which high-class bonds are selling much below their real value. They have good salability and can be rated in class "A." There are many desirable bonds paying 5% which are selling at a lower quotation, but if you are looking for security as well as yield, these bonds should answer your purpose.

N. Y., NEW HAVEN & HARTFORD

Position Dubious

New York, New Haven & Hartford debenture 4s, due 1922, are outstanding in the amount of \$14,000,000 dollar bonds and 9,762 franc bonds, total \$27,582,000. These bonds were issued for funding the indebtedness of the company, and for other purposes authorized by its charter. The bonds are a direct obligation, but not a mortgage. Under the terms of issue, the company could not mortgage its line from Woodlawn to Springfield, Mass., unless these debentures were provided for in the mortgage, to be entitled to a pro-rata with any other obligation that may be secured thereby, and that any such mortgage shall expressly so state. The status of the bonds is the same as when issued. We do not believe they are a desirable investment to hold or to purchase. New Haven is earning but 35% of its fixed charges, even under the new rates allowed by the Interstate Commerce Commission. The road, as a whole, is in bad condition, and we do not favor the purchase of its securities.

In case of conversion into refunding bonds, it would not improve the status

of the debenture 4s, which would be lumped with the new issue, secured by a general mortgage covering the company's property. We should say that the security would diminish rather than increase. The range of these bonds since 1916 has been from approximately 94 high down to 70 low (last sale 70). If you own any of the issue, we would suggest a switch into Hudson & Manhattan 1st and refunding 5s, selling around 63, which we consider as offering fair security and likely to enhance in market value with a better condition in the bond market.

NATIONAL TRANSIT COMPANY

A Very Strong Company

National Transit Company is affiliated with the Standard Oil Company of New Jersey. The company, which was a holding company for pipe line stocks, was formerly controlled by the Standard Oil Company of New Jersey, but this control was given up by order of the United States Supreme Court in 1911. The company indirectly, however, really continues to control National Transit. The company, in addition to its pipe lines, also has a pump and machine company, of which it owns the capital stock, which is a very prosperous organization. National Transit might be called an investment stock. Its earnings are very large and dividends considerable. It has outstanding \$6,362,500 of common stock, of a par value of \$12.50 per share. The company has no funded debt. The regular dividend rate is \$1 per annum, payable quarterly. In 1919 the company paid the regular dividend and extra dividends to the amount of \$4, making the total returns to the stockholders of \$5. In 1920 the regular dividend of \$1 was paid and extra dividends to the amount of \$2, making total returns \$3 per share. Providing this dividend rate can be maintained, a purchase of this issue around 27 looks attractive.

U. S. STEEL

Position of Senior Securities

U. S. Steel 5% bonds are a high grade investment, but we believe that U. S. Rubber 1st 5s of 1947, selling at 78, would prove a more profitable investment than U. S. Steel bonds that are selling so very much higher. Another very good bond would be American Smelting 1st 5s, 1947, also selling at 78. You would save quite some money by making the exchange and have a very good chance of increasing your capital when bonds turn upward permanently. Of course the latter is by no means so high grade as U. S. Steel 5s.

U. S. Steel Preferred is also a very good preferred stock, but is also rather dear for a 7% issue that yields a little over 6%. We see no reason why you should not purchase instead General Motor 7% preferred, a 7% stock selling around 80, or better still, International Motor Truck 7% preferred, selling

(Continued on page 571)



Building Your Future Income

An Open Letter to a Man Who is About to Select a Broker

[Editor's Note—The "open letter" which follows was never addressed to any person in particular. It represents, merely, the kind of letter we would send to a good friend of ours who had the problem of selecting his brokerage house before him. The incidents cited are actual.]

Dear

We have heard that you intend opening an account with a brokerage house. We want to give you just a few suggestions before you make your selection.

Since you are living in a rather out-of-the-way community you will probably not be able to find, near your home at least, a brokerage house having a membership in the New York Stock Exchange. This is too bad; because the New York Stock Exchange is the strictest organization of its kind in the country today; its members are required to live up to the most rigid regulations. If there were such a broker near you you could afford to open your account with him without much further thought.

You tell us that B—— G—— & Co. have an office in your town; also C—— H—— and D——. You say that they "seem all right." Well, if you want to be sure whether or not they are, here are a few tests for you to apply.

* * *

First off, we should advise you to locate one or two old customers of theirs—men who have had accounts with them for, say, five or six years. If you can't find any customers of such long standing (and the houses themselves are old ones) we don't think we'd go in with them. The surest proof of a good broker is his ability to hold his customers. When his list of

customers has to be renewed every few months it's generally a sign of weakness.

Assuming that you do find a couple of old customers, ask them what kind of treatment they get. We have asked similar questions many times. Once an old customer told us his broker was "great stuff! He carries me on three points' margin any time!" We decided that that wasn't a good house to put any of our money in. What a broker will do for one customer he will generally do for most customers. If he "carries" one man on insufficient margin he is probably carrying a good many others in the same way. Inevitably, then, his own liabilities will greatly exceed his powers to pay in case of emergency; and he is liable to go on the rocks at any time.

Another old customer told us he liked his broker because he was "always putting out new underwritings." "What ones has he put out recently?" we asked; and learned that the list included four penny mining stocks which were still just on the verge of shooting upward; a motor accessory company which nobody ever heard of and which was not quoted on any legitimate exchange; and, finally, a chain store proposition whose chief claim to greatness was a beautiful 8-page catalogue which went with the stock. "But you don't make any money out of these things!" we argued. The old customer smiled at me in a pitying sort of way. "Don't you know that no one can be right every time?" he asked. "I simply got in on the wrong ones." Nothing but the echo of the broker's own words! We weren't long in deciding that that broker wasn't the one for us or any of our friends.

There are many "question and answer tests" by which you can judge a broker. Here are a very few of them:

Question: When can you deliver shares purchased by me today? If the broker were in New York his answer should be: "I can deliver them tomorrow." As an out-of-town broker his answer should be "Within twenty-four hours plus the time it takes the mail to reach here." These are satisfactory answers. There is another type of answer, however, which, if you get it, should be a warning to you. That is something like this: "Delivery? Well—er, what difference does that make? We'll hold the stock for you." That broker, nine times out of ten, doesn't want to undertake to deliver stock within any stated time because it is not his habit to deliver stock at all.

Question: What margin do you require on _____ (here name some highly speculative stock selling, say, in the 60s). If the broker says "We won't carry that stock on less than thirty points' margin" you can assume that he is conservative and the finances of his house in pretty secure shape. If he offers to carry the stock on five or ten points shun him as you would the plague. No legitimate brokerage house with the interests of its clients at heart (not to speak of its own integrity) will undertake to carry a highly speculative stock on less than 50% margin.

Of course, as an investor, you will not trade on margin. However, a broker's attitude toward his "margin clients" is pretty good evidence of his attitude toward all his clients.

Question: What stock would you advise my buying? Here is one of the most

searching questions of them all, I think; for the securities which a man who *ought to know* advises other people to buy are an almost positive measure of his intelligence as well as his honesty. Suppose your broker endorses some cheap mining stock—one of the ten-thousand, cents-per-share things they sell on the Curb, for instance. You know that such stocks are pure gambles; that they should not be recommended for a small investor who should be given safety first and profit chances afterwards. Therefore this broker's suggestion proves him, first, a

man with little regard for your welfare; secondly, a bad judge of what constitutes investing, and thirdly, a poor friend. Any or all of these reasons will suffice to disqualify him.

Suppose, on the other hand, he suggests the preferred shares in some big, strong manufacturing company yielding now about 8-9%. He tells you that you may have to wait a while before the stock will go up much, but that it is pretty sure not to go down much: and that the company's past performances in dull business periods speak well of its ability to weather the

current dullness. That man is likely to prove an intelligent and honest broker.

We're sorry we can't write you at greater length on this subject. Perhaps you will let us write you again some time. However, you may have gleaned, even from the little we have said, that Caution, Conservatism and Common Sense are the characteristics to look for when choosing a broker; and this knowledge will, we are sure, steer you clear of the hundreds of houses doing business in this country today who are not capable of handling your funds—or their own.

No Royal Road to Financial Independence

Research and Conservatism Essential to Success—The Evidence of Actual Experience

By ROBERT D. NORTH

OUT of experience gained in a runaway market, when I thought anybody could make money by buying and selling, came the lessons that have caused me later success. In brief, my conclusion is that to succeed in the financial markets one must work and study, just as he has to do in order to be successful in any other chosen field. To place money in a security without looking up all available information about it and studying its intrinsic value is as foolish as it would be for a financier to endeavor to erect a skyscraper with his own hands without possessing any knowledge of the building craft. Buy outright sound dividend-paying stocks, or bonds, and then watch closely the economic situation, which really governs the money market, and, in turn, the stock market. This, to my mind, is the secret of successful dealing in securities.

It was after the initial setback caused by the outbreak of the World War, when industrial forces in America, taking second thought, began to see the possibilities that lay in selling to the belligerents, that I first introduced myself to the New York stock market.

Enthralling by Steel

Like many others at that time (in 1917) I became enthralled by the extensive forward moves of that best known of all market leaders, U. S. Steel. I took my first "plunge" in the middle of 1917, buying an odd lot of five shares on margin at 128½. With the market still moving forward and inspired by predictions on all sides that it would reach 150 before the movement ended, I bought another lot of five shares at 130¾, then another five at 131¾. Instead of selling at a fair profit I held on, with that habitual feeling of the novice that my stock would go higher.

Then, in July, 1917, Steel dropped and I bought five more shares at 122¾, thinking I would average up and sell at a good profit. On Sept. 5, with the same idea in view, I bought five more.

Not knowing anything about the market trends, I held on, paying additional margins when called for, until in November, 1917, I did not answer the call for more money quickly enough and the broker sold my stock in the great down-slide toward the end of that eventful year.

By this first experience in the market

I lost, in round numbers, \$1,000, not counting the soothing regular and extra dividends I received in the meantime. The latter, for a period, were at the rate of 17% per annum, but they did not continue long on that basis.

I counted this as my first lesson and decided to charge it up to experience, in spite of the fact that it emptied my pocket-book.

Three Months of Study

For three months I hunted up figures about companies that attracted my attention and studied market movements during my spare time while drawing a salary. I fairly saturated myself with facts and figures about steel.

When I had accumulated enough money for another try on the market I bought five shares of U. S. Steel at 91¼ in the first month of 1918—before it started on its upward movement in that year of vic-

TO NEW READERS OF THE MAGAZINE OF WALL STREET

THE series of Personal Experience articles, of which this is one, was begun in our issue of November 27, 1920.

The articles were contributed by readers of the Magazine in the course of a prize contest conducted last Fall.

Beyond minor changes, to conform with space requirements, they are printed exactly as received.

tory. I took profits of five points per share and gradually accumulated money by buying and selling in like odd lots, putting aside some money each time.

Having made a special study of the business, I recognized steel as one of the world's greatest commodities. I also studied companies that depended upon steel in turning out their products. I recognized the Bethlehem Steel Corporation as an organization of great possibilities, with its shipping plants to keep up income when demand from war and building sources slowed down.

In U. S. Steel and Bethlehem B stocks I cleared \$2,000 in 1918 by buying and

selling as the market zigzagged with an upward trend, always keeping my eye on the trend and the money rates, which I found out for myself to be the greatest influence in moving prices upward or downward. At the same time I dealt successfully in American Locomotive, which during the war diverted its attention to making material for the fighting forces and which also was a large consumer of steel. My profits in this stock during the war, when the company made engines of war, and after the coming of peace, when it resumed its manufacture of railroad equipment, totaled \$900.

Likes the Equipment Companies

This, along with other equipments, continues to be a good stock to buy, in my opinion, for it is generally conceded that the railroads will participate to the greatest extent in the next upward movement, when activity is resumed around the first of the next year. The book value of American Locomotive stock is about \$300 a share, whereas it is selling some eighteen points under par.

Likewise I think the steels will be good, for it is beyond question that the railroads cannot hope to replace their worn rails and equipment without steel. The same is true with construction work, which is bound to be resumed on a large scale in a short time in order to catch up with the country's requirements.

Six Rules for Beginners

From experience gained during an eventful period these conclusions are to be drawn for the consideration of an investor or trader in stocks or bonds:

First, pick your securities; then study them and the company behind them, with a view to ascertaining their true intrinsic value. When holding a stock with a book value of \$300, selling below par (\$100) while it pays its regular dividends out of its surplus current earnings, one may sleep in peace, with the knowledge that it is sure to approach its real worth on the market in due time.

Second, keep in close touch with economic conditions throughout the world; then visualize a little in an endeavor to see what they presage. A study of past events and their effects will show that history nine times out of ten repeats itself.

Third, remember that the supply of basic materials, particularly products of the soil, coupled with the demand therefor is the controlling factor in the "money market."

Fourth, the "money market," in turn, is what really governs the security markets.

Fifth, security markets almost invariably move in one direction for an extended period, sometimes three years, zigzagging up and down as they go. A speculator who can get in when the line or curve on the chart is down and sell as it nears the top, will succeed. The same applies to the investor who catches the trend near its inception and sells before it makes the great turn for another extended movement.

Finally, the safest policy, although it may be considered by some as slow, is to buy a good dividend paying stock, with intrinsic value back of it, when you think it is low, and sell when you have a profit of about five points per share, or even less. Don't be too hoggish and wait for abnormal profits on every deal. An unexpected change in the trend or the "long pull," may dispose of all profits.

Applies Same Rules to Long-Pull Investing

The same rules regarding the purchasing of stock apply likewise to those who buy securities with the idea of storing them away for the purpose of providing steady income. If study shows that the principal is secure there need be no sleepless nights over the probability of loss. A good security always will come back to the level of its true worth.

A beginner, like the old-timer, should be satisfied with small profits. As they accumulate they can be invested on a larger scale and the returns thus be made larger.

The above conclusions are drawn from actual experience. My first losses came from a desire to make a fortune too quickly. Out of them came the lessons that have since guided me in accumulating slowly but surely, which is the only way, considering the fact that over two-thirds of those who try the stock market usually lose their money—mainly because they endeavor to do something about which they know nothing.

Every time somebody loses somebody gains. The ultimate gainers are those who know most about what they do; the losers those who plunge into what is for them an uncharted sea.

The wise don't try to "beat" the market. They move along with the tide and turn when, or before, it turns.

Study and watchfulness will enable one to anticipate at most times, but not always, those turns, just as the stock market with seemingly superhuman regularity discounts coming events.

Mr. North's statement shows in terms of cash the difference between participating in security markets before studying them and participating in them only after careful investigation. His suggestions are directed to investors who are more active in the market, probably, than most readers of this department; but there is much sound sense in them nevertheless.—Editor.

The Investor's Dictionary

Definitions of Terms Frequently Encountered in Financial Dealings

INTEREST CHARGES.—Interest charges are computed on the daily balance on either side (whether debit or credit), and usually follow the prevailing call-money rates very closely, plus a carrying charge of about 1% in most cases. Most important firms seem to charge about the same average rate, because their borrowing channels are about alike and their methods very similar. Broadly, they attempt to "average" the cost to themselves of all the time-money and call money they have handled or borrowed during the month preceding, and charge the customer cost price plus carrying charges. Recently the total would be about 8% to 9%, whereas in many months during the past year the interest charge would not be unduly excessive around 10% to as high as 12% during some periods. It seems to us that the more conservative the firm, the less they will care to charge usurious rates, even if they have to omit the "carrying charge" or refuse orders, on the ground that they cannot borrow their funds cheaply enough. Their alternative is to charge the lowest cost price, and give the customer any benefit of the doubt. Current bank rates or mortgage rates have nothing to do with the rates prevailing in Wall Street, although they are a guide in a very approximate sense only. When money is plentiful throughout the country, a large part flows to Wall Street but often loans slightly higher than long term funds.

BASIS OF INCOME.—This refers to the net return an investor receives upon his investment, by way of interest, and conversely is used to denote "how the principal is selling." For example, a 6% bond selling at par (100) is selling on a 6% basis for two reasons. Firstly, the actual income return is 6% on each \$100 invested in it, and secondly, the capital to be returned on its maturity comes back "net" without profit or loss. If the same bond sells lower than par, the buyer must consider two things. He invests less than \$100 although the coupon remains a \$6 one regardless of market price. If the bond sells for 95, the investor gets his \$6 on a \$95 investment, and the income basis is then 6.3%. If he buys for \$86 a bond carrying a 6% coupon, the basis then becomes 7%, because a \$6 annual return on each \$86 is exactly 7% on the money invested. To these calculations must be added extra income that will come along when the bond is paid. The debtor corporation must pay a full 100% of capital (in other words, the par value of the bond) regardless of the price paid by the holder. On a purchase at \$95, the buyer gets an extra \$5 as profit, and if the bond matures in a year this is an extra 5.3% income, and the bond has been selling on a 11.6% basis. In the case of the bond at 86 the difference between that price and par represents a further 14 point (or dollars) profit, which is further income and a new basis for estimating exactly what the annual return has been. Roughly, one can divide the number of years into the possible profit by holding until maturity, and then adding the extra annual income to what is known as "the straight yield." The latter represents the exact return judged by the actual coupons clipped and cashed—in the cases mentioned, 6.3% and 7% respectively. The average person cannot calculate the exact "yield to maturity" because it involves difficult mathematics. Inexpensive tables are available giving exact figures in case the student wishes to go further than be content with approximate figures of his own.

INACTIVE SECURITIES.—In five words: Securities which change hands only infrequently. In a few cases, securities listed, dealt in, that is, on the larger exchanges are inactive; but as a rule it is the unlisted securities that change hands least often.

The fact that a security is inactive is no reflection of its intrinsic value. Not a few of the finest, old-line investments change hands "over-the-counter" only once or twice a month. The only undesirable features of an inactive security are: It does not enjoy a ready market, and an owner often has to put up with considerable delay before he can sell out (even though he may offer his security at a concession from the last previous sale); also, the bid and asked quotations are most often several points apart, forcing sellers to accept substantial concessions from the prices quoted to prospective buyers.

Small investors can purchase a certain few inactive securities with considerable safety; but, as a rule, they would better confine themselves to securities which can be liquidated at a moment's notice.

FLOATING SUPPLY.—The number of shares or bonds that are not strictly in investment hands, or strong boxes.

The major portion of every good issue of stock or bonds is held by investors for income purposes mainly, with appreciation in price rather a secondary consideration so long as intrinsic value is unimpaired. The balance is usually held by semi-investors, brokers, casual investors who have not yet made up their minds, and speculators.

A large portion of the floating supply will also be found in the hands of brokers who make it their business to lend stocks to those who have sold them short. These brokers are familiarly termed "the loan crowd" on the floor of the N. Y. Stock Exchange. When the floating supply tends to increase the price has a tendency to sag downward. As the floating supply contracts, the price tends towards stabilization and advance. This will be seen in the comparative mean average levels of U. S. Steel that has ranged between about 75 to 135 in recent years, with apparent stabilization in the 80s and 90s compared with the 40s and 60s in the "olden days." Investment holdings of Steel are on the increase at an average rate of about 10% annually. For example, investment holdings of Steel in 1918 were over 2,000,000 shares, a figure that rose to over 3,000,000 in 1919, and to over 3,500,000 in 1920.

BUYING ON MARGIN.—Purchasing a stock by paying over a portion of the cost-price and borrowing the remainder.

If a man buys 100 shares of U. S. Steel outright at, say, 80, the whole cost to him will be \$8,000. Another man, not wishing to put up so much cash, but anxious to buy the stock at the same price, will deposit, say, \$2,500 and borrow the remaining \$5,500. He is buying "on margin," and his margin is \$2,500.

Money borrowed in order to purchase a security "on margin" is obtained through the broker in the transaction. The broker is entitled to charge the customer prevailing rates of interest on the loan, plus a carrying charge, commission and taxes. The account is balanced each month, interest added and the whole carried forward as a debit or credit against the customer in the next month's statement.

There is no time limit to this transaction of this sort. So long as the customer keeps his margin up to the required standard the stock stays his. His account is credited with all dividends paid on the shares while he is holding them.

The amount of margin required for the purchase of a security varies with the security. A high-grade investment can be purchased on a much smaller margin, as a rule, than a speculative issue.

If a security is to be bought on margin, ample margin should be deposited. The smaller the margin the greater the danger of your being forced to sell out if the issue goes against you.

Two-Family Houses Now Within Reach

Let-Down in Building Materials Makes It Possible to Construct Dwelling of This Character for \$12,000—The Budget

By WILLIAM ARMSTRONG

DESPITE the wide field already covered by articles on home-building, we have still scarcely scratched the surface of this all-important subject. We have had two-and-a-half story stucco homes, one-story bungalows, "ready-to-wear" bungalows and government built bungalows. These have ranged in price from \$10,000 to as low as \$750.

One feature we have not touched upon heretofore is the two-family house. We have purposely avoided this subject. Because of the high cost of building prevailing heretofore, we have not thought it advisable to suggest the construction of a home of this character.

However, after a careful investigation of the building situation, delving into the building material highways and byways, as to costs, and getting estimates of conservative builders, we believe we can now safely recommend the construction of two-family houses.

There are many prospective home owners who would just as soon continue

practical side. It has been demonstrated by figures and facts that defy controverting that it pays to own your own home. Now, the question is, does it pay to own a two-family house, if one prefers to live that way? The answer is: It does. While, up to a short time ago, we could not conscientiously advise the construction of a two-family house, we believe it can be done now, within a reasonable figure, that will permit a return and profit on the capital invested.

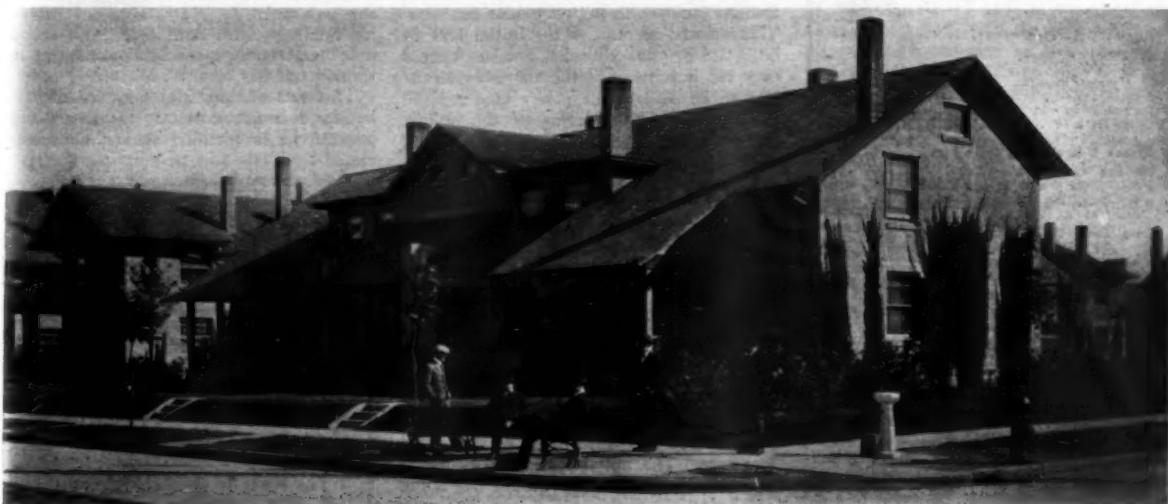
In the issue of the MAGAZINE of August 21, 1920, we showed how to build a Colonial style, stucco, seven-room house, worth \$10,000, including the cost of the lot, \$2,000, with \$4,000 or \$3,000 cash. At that time we could not have figured out a two-family house for you for less than \$14,000, which would have been too costly.

Just at this time you can safely figure that you can build a two-family house of the same material, all improvements, on a 50-foot lot, to cost all told \$12,000. That would be \$2,000 for the lot (which ought

a mortgage loan sufficiently large to cover the increased cost. It would be a productive property and the security would be deemed more substantial.

If the home builder secures a loan from a modern building and loan association of \$8,000 by paying \$70 a month out of his own pocket and applying the \$50 a month rent obtainable from either the upper or lower apartment (if he chooses to rent this space) he will be able to pay all charges and in eleven years own his own home free and clear. From that time on he will be able to put the rent from the upper apartment in his cash account in the bank. The \$70 and \$50 would pay the building loan monthly, taxes, interest, insurance and repairs, as is detailed in Table I.

The decline in the price of materials has of course made it possible for such a house to be constructed for the estimate given. I went into this matter very carefully and found that very recently there had been a decline in material costs, approximately, as follows: Cement, 25%; lumber, 10%;



Photo, Brown Bros.

That a House for More Than One Family May Be Attractive Is Evidenced in This Well Designed Three-Family Bungalow

dwelling in the city apartment houses as buying or building a two-family house in the suburbs. If they build a home they want the full home privacy. But there are others who do not feel that their income, present or future, warrants their maintaining a home of this character, and feel they must have a little aid in revenue from other sources. Also, there are many people who dislike living in a house alone and another family is more than welcome. Take these two classes together and you will find that they present a rather imposing minority. Where there are no children in the family, the women in such cases have a greater sense of security when another family shares the building.

The Vital Question

But that is the human or sentimental side, whereas we want to get down to the

to be purchased for less today) and \$10,000 for the house. You could not build the house for less than that amount. That figure allows the builder's profit, etc.

In such a house there would be five rooms and bathroom on the first floor and six rooms and bathroom on the second floor, with private entrance for the family occupying the upper apartment. It would be the new Colonial style, patent stucco, with glass-enclosed porches, etc. There would be a cellar, of course, with two steam-heating furnaces. A double garage to hold two cars would be included in the cost.

A Larger Mortgage

It should not require the outlay of any more original cash than for the one-family house described in the August issue of the MAGAZINE, as it would be possible to get

sand, 20%; hardware, 10%; plumbing, 10%; steam-heating apparatus, 10%. There has been only a slight drop in brick. These declines, small as they seem, are considerable when aggregated, in construction cost.

Materials Price Trend

A natural question here is: "Will the prices go still lower?" My belief, based on information obtained in the trade, is to the effect that there may be a further decline, but that it is not likely to be considerable. For, with the decline in prices, there naturally will be a decline in the amount of material produced. In fact, production is already being curtailed. This Spring, Summer and Fall, there is reason to expect a building revival which will naturally eat up surplus stocks; and with a decreased output, it is difficult to figure

out how there is going to be any considerable decline in the cost of material. On the other hand, I think it can be safely predicted that there will be no *advance* in prices from the present levels.

TABLE I—The Two-Family House Cost	
Lot	\$2,000
Building and Garage	10,000
Contingent Expenses	275
Total	\$12,275
Building Loan Mtg.	8,000
Cash Required	\$4,275
Carrying Charges	
Building Loan Interest and toward reduction of loan at \$80 per month	\$960
Per Annum.	360
Taxes & Insurance. Per Annum.	360
Repairs estimated at \$10 per month	120
Totals—Month, \$120; Year	\$1,440
Credit—Received from tenant for upper apartment—\$36 per month—per year	600
Owner actually pays per annum only	\$840
Eleven Year Result	
Owner Pays Out	\$15,840
Of this, tenant pays	6,000
Apparent Cost to Owner	\$9,240
But at end of 11 years:	
Building loan cancels his back mortgage or virtually pays him back	8,000
Actual Cost to Owner	\$1,240

TABLE II—Which Is Best? Home Owning vs. Rent Paying	
Owner Pays out 11 Years	\$9,240
Gets Back	8,000
Eleven Years' Rent costs him	\$1,240
He has also saved—\$8,000	
Rent-Payer Pays in 11 Years, not counting loss of compound interest	\$8,000
Gets Back	Rent Receipts

NOTE: Both Owner and Tenant have lived in same house for 11 years. At the end of that time landlord owns home free and clear—Tenant has saved nothing. If you add loss of interest on the \$8,000 he has paid for rent, it will show that the tenant has virtually paid off the mortgage for the landlord. This again illustrates that it pays to own your own home.

We are treating here on building material prices for 1921. What will happen in 1922 we cannot predict, but it is reasonable to assume that by next year the building boom will be in full swing, and since the building shortage is so vast, we may again see an advance in material prices prompted by "Old Mr. Law of Supply and Demand."

Those people who built last Summer and Fall should not regret their action on the theory that they should have waited for material prices to drop. They must bear in mind that their houses are already completed and producing or saving income. Material bought at present prices will not be used for a number of months. That is, it will not be producing. Thus, last year's builder virtually has a year's income on his property to offset any decline in the price of materials. If it were figured in dollars and cents, it would be about a stand-off.

Guaranteeing Your Business Against Credit Losses

How a Merchant Can Safeguard His Current Finances—A Low-Cost Service

WHAT a merchant owes must be paid from what others owe him. His prosperity is impaired to the extent that he fails to collect his accounts. Bad debt losses are greater than fire losses. He who pays his bills, pays for the defaults, failures and amusements of those who do not.

Credit insurance applies the insurance principle of distributing the burden of credit losses; helps to prevent the abuse of credit; renders efficient service in the granting of credit and the collection of accounts; checks over-expansion of credit without placing an undue restriction upon it, and provides a guarantee against credit losses.

The Plan

Credit insurance is a guarantee that a wholesaler or jobber shall not suffer from losses occurring during the term of the policy on account of the insolvency of debtors coming within the coverage of the policy, which are in excess of a normal amount incident to his particular business. This normal amount is the initial loss to be borne by the insured. The net excess over the initial loss is the amount guaranteed to be paid to the policy holder.

According to the terms of the policy, the mercantile agency ratings upon which the insurance is based are classified and the coverage rated accordingly. The policy affords full protection on the actual losses incurred within specified limits, on preferred customers with good ratings, and for an additional premium gives extra protection where insurance on customers who have inferior ratings is desired. The policy provides that the insured shall stand the loss normal to his business, and receive indemnity for excessive losses.

The Rate

There are two ways of fixing the initial loss rate. The initial loss, plus the loading, may be determined at the beginning of the term of a contract and be made fixed and binding upon both the insured and the company; or the normal rate may be fixed at the time the insurance is issued and the ascertainment of the final rate left until the end of the term, when the loss experience of the insured during the term of the policy is available as a factor in the determination of the initial loss.

If, under the above plan, a merchant doing, say, one million dollars a year, has a normal loss experience of one-fourth of one per cent and during the life of the policy loses double the normal amount, the company guarantees to pay his losses in excess of three-tenths of one per cent.

The insured has the option of selecting a policy under which he handles his own collections, or one where the company renders to him the guaranteed collection service.

Merchandising and Banking

Credit insurance seeks to exert a helpful influence in maintaining credit, and col-

lecting accounts. The merchant and the banker have similar functions. The merchant makes his profit on the sale of his goods at prices exceeding the cost, plus expenses, plus losses on credit accounts. The banker's profits are the aggregate of discounts and interest, less expense, less losses on credit accounts.

The merchant and the banker both extend credit. The banker can lend or not as he pleases. His transactions are so safeguarded that his losses are reduced to a minimum. The merchant, however, is almost compelled by usage to sell on credit without security, and without interest. Therefore, the losses of the merchant are large. Credit insurance reduces credit losses to the merchant to a fixed average of the amount of the annual sales. Thus, a merchant may always know what his losses will be and can make definite arrangements to provide for them. He is not compelled to hold a large part of his capital in reserve for unexpected losses. He does not fear the unexpected. He is able to conduct his business with confidence and stands in a better position to get accommodations from his banker.

This sort of thing stabilizes credit. The banker does not worry over such a debtor because he is fortified against contingencies.

Credit Regulation

Credit insurance encourages trading with those who are growing strong by its protection immediately following all shipments on increasing ratings, and it guides

QUESTIONS THIS ARTICLE ANSWERS

- (1) Does credit insurance guarantee against normal business losses?
- (2) How is the initial loss rate fixed?
- (3) What is the banker's attitude toward a credit-insured business?
- (4) How does the cost of credit insurance compare with the cost of fire insurance?

More detailed information may be obtained free of charge by inquiries addressed to our Insurance Department.

the way from those who are known to be growing weak, by lessening or ceasing its protection on all decreasing ratings.

The mercantile ratings are the guides in credit granting. These ratings serve as a general letter of credit, but the possibility of their abuse in making purchases in any or every market, brings concern. Credit insurance suggests the safe and the unsafe in credit ratings and regulates its coverage accordingly.

Under credit insurance a merchant is always informed on every phase of his accounts, from the initial stage of grant-

(Continued on page 576)

Public Utilities

Bonds and Stocks

Commonwealth Edison Co. (Chicago)
Cleveland Electric Illuminating Co.

Shawnigan Water & Power Co.
Fort Worth Power & Light Co.

Investment Stability of Electric Bonds

Companies in This Class More Strongly Intrenched Than Traction or Gas Companies—
Securities of Four Leaders Analyzed

By W. M. MORTON

IT is a rather obvious investment axiom that a corporate obligation must be backed by stable earning power if it is to have real investment character. Public utility bonds are commonly cited as leading examples of a class of securities little affected by the vicissitudes of business in general.

The more spectacular skyrocketing of industrial profits easily dimmed the less fascinating display of mere stability of public utility gains in the recent past. At least it did while it lasted. But now the tables are turned.

The Advantages of Utility Companies

Having recorded no stupendous profits by the facile method of writing up inventories, utilities are not confronted by the necessity of setting up similar figures in red ink. Having refrained, under the positive regulation of rate-making authority from regarding the blue sky as the limit to which they could advance the selling prices of their products, and not having to sell their wares through various middlemen and retailers of infinite rapacity, they have not alienated their customers nor destroyed their patronage. Supplying, as they do, a service whose cost is one of the last expenditures which can be curtailed by the people, they stand to suffer relatively little from present conditions.

The current economic readjustment, or plain hard times, as you prefer, will bring about some reduction in the demand for power, of course, and the earnings of the electric companies which do a great deal of industrial power business can scarcely be entirely unaffected. Household demand is an ever-growing earner, however, and any temporary loss of revenues should be offset by decreased fuel and supply costs.

While no general move towards reduction of wages in this field has been reported as yet, it would seem clear that it must come just as in other lines. Rate reduction may also take place. But just as the need for rate relief had to be demonstrated beyond question before it was granted, so there must be definite evi-

dence of lowered costs before regulatory bodies will move in the other direction.

All in all, the utilities, particularly the sound electric companies, face the uncertainties of 1921 with a better outlook than almost any other type of business enterprise. I say particularly the electric companies, because certain factors favorably differentiate them from the tractions and gas companies. Tractions have relatively heavy labor costs. The public comes in contact with them constantly, so that their fare charges and their service are always in the public mind, making them peculiarly subject to political attack. Increased economy, made possible by developments in electric generating and transmission methods, can apply to traction companies only in the ratio that power costs bear to total operating costs. Gas companies are handicapped by a different condition—the persistently high prices for fuel oil, of which they are enormous users.

The electric securities described in the ensuing paragraphs are typical of the more desirable purchases available. In every case the issuing company serves a large, substantial community, where a serious falling off in the demand for electric current is almost unthinkable. Investment values have been established, moreover, by operation over a long period of years. The trying conditions of the

of clean cut, high grade investment bonds and such remarkable stability of earnings.

To serve the second city of the country, including the surface and elevated roads, the company has an installed capacity of 830,000 horsepower in its seven power stations, and it has under construction on the Calumet River a new steam station, designed to have an ultimate capacity of 180,000 kilowatts, which is expected to be ready for operation by the fall of 1922. Recent installations of large turbo-generator units were estimated to effect a saving of 233,000 tons of coal in the past year. Coal is obtained from the company's own mines, which has been of great assistance in keeping up net earnings. The franchise runs until 1947, and provides for a tax of 3% of gross earnings.

While the Peoples Gas, Light & Coke Company, the Chicago gas company, has had to suspend dividends, and the elevated and surface lines have had serious obstacles with which to contend, the Edison Company has gone serenely on its way without even a ripple in its net income. In 1910 operating revenues were \$13,084,000. In no subsequent year has there been a setback. The 1919 revenues were \$30,366,000, a gain of 132% over those of nine years earlier.

The financial structure is very simple. There are \$38,631,000 first 5s, due 1943;

\$8,000,000 Commonwealth Electric first 5s, also due 1943, and identically secured, and \$5,000,000 7% notes, due 1925, secured by deposit of first 5s at 70. The last named issue was put out in 1920. Interest charges have been earned, a minimum of 3.10 and a maximum of 3.90 times,

GROWTH IN OPERATING REVENUES OF FIVE LARGE ELECTRIC COMPANIES.
(Thousands of Dollars.)

Year	New York Edison Co.	Commonwealth Edison Co.	Public Service Electric Co.	Philadelphia Electric Co.	Detroit Edison Co.	Total
1910	\$18,051	\$13,084	\$5,972	\$5,946	\$3,030	\$45,983
1911	19,690	18,860	6,650	6,436	3,598	50,264
1912	21,025	15,362	7,582	7,051	4,356	55,966
1913	20,011	16,129	8,546	7,816	5,547	61,750
1914	23,538	19,060	9,341	8,160	6,496	66,595
1915	*22,546	20,582	10,487	8,778	7,760	70,683
1916	24,336	22,163	12,598	10,300	10,067	80,594
1917	25,685	25,352	15,240	12,161	12,280	90,721
1918	25,229	26,505	17,746	14,504	13,808	97,896
1919	20,161	30,366	20,190	16,279	16,498	101,874
Increase	*61%	155%	245%	172%	449%	121%

*Rate reduced from 10 to 8 cents, May, 1918.

last few years have been successfully met by each company. In short, these bonds are seasoned investments.

COMMONWEALTH EDISON CO. OF CHICAGO

Commonwealth Edison Co. of Chicago is one of the largest utilities in the country and probably many readers of this MAGAZINE are already more or less familiar with it, but I include it here largely because it furnishes so excellent an example

in the ten-year period. Before interest charges, substantial amounts are charged off to amortization and depreciation, the 1919 figure being \$2,880,000. Dividends are paid at the rate of 8% on the \$50,423,000 capital stock—a very large equity for the \$51,631,000 bonds.

There is no limit to the amount of the first 5s which may be issued, but they must not exceed 75% of the cost of new property or additions. At the present price of 84, the first 5s yield 6.35%, and

are most attractive as a pure investment. At 99 the notes yield 7.25%, making them a desirable four-year security.

CLEVELAND ELECTRIC ILLUMINATING CO.

Another large middle western utility, very much like the Commonwealth Edison Company in its debt structure and in the protection afforded the bonds by earnings, is the Cleveland Electric Illuminating Company. This concern is twenty-nine years old and serves not only the city but all of the suburbs. The Cleveland Railways, some smaller traction companies, and thirteen municipalities are customers of the company, together with 18,000 business and 105,000 domestic consumers. Franchises are unlimited as to time.

Power is generated at two steam stations, the principal of which is located on the lake front. It has 178,000 kilowatt capacity, with 25,000 more under construction, and adequate property for an expansion to 300,000 kilowatts. There are coal storage facilities here for 100,000 tons of coal. The other plant is a small one of 10,000 kilowatts capacity, located on the Cuyahoga River, which generates electricity for the business district and supplies steam for heating purposes. From the generating stations, energy is transmitted to ten fireproof substations. The transmission system is almost entirely underground.

The growth of the company's earnings has far surpassed even the rapid development of the city. In 1909 operating revenues were \$1,865,578. In 1919 they were \$9,389,941, a gain of 417%. The phenomenal Detroit itself can but slightly surpass this record. With the exception of a decline of less than 1% in 1917, net earnings as well have forged steadily ahead. In 1914 the company set up a charge of \$426,000 for depreciation. The charge has been made annually since that time, in 1919 reaching \$876,000, or about 2.75% on the property account. This is just about equivalent to the practice of the Commonwealth Edison Company. In 1919, interest charges were earned 2.35 times after depreciation charges. That record has been generally equalled or surpassed in previous years.

There are only two bond issues, one being the \$18,500,000 first 5s of 1939, which cover the entire property now owned or hereafter acquired and may be had at about 83 to yield 6.62%—against a high of about 103 in recent years. Additional first 5s to the amount of \$7,143,000 are pledged to secure \$5,000,000 first collateral 7s of 1935, a splendid 7% investment around 100. Only \$4,357,000 more first 5s may be issued under the authorization of \$30,000,000, and they only at 80% of cost of additions, and if earnings are twice charges. In the course of time a junior issue may have to be created, or additional stock sold, either of which will increase the equity for the first 5s.

SHAWNIGAN WATER & POWER COMPANY

By jumping, financially, the Canadian border one may sometimes obtain very excellent investments at somewhat better returns than domestic issues of similar grade. So we may consider for a minute the Shawnigan Water & Power Company a large and well established hydro-electric

concern. The water power is located at Shawinigan Falls, 85 miles from Montreal, with which city it is connected by high tension transmission lines. There are two power plants here, one having six units of 60,000 total horsepower. The second has 90,000 horsepower. The company also has an interest in the Laurentide Power Company as well as operating control. This company has constructed a plant four miles below Shawinigan Falls on the St. Maurice River, capable of an ultimate development of about 70,000 horsepower. The two concerns together may double their present capacity from present water rights.

Operating revenues of \$991,029 in 1910 grew to \$3,727,045 in 1919. Expenses are extremely low, ranging in the five years ended 1915 from a low of 9.67% to 13.22% of revenues. Subsequent ratios are not easily determinable because the company now buys some of its power.

As of 1919, the debt was only \$9,353,262 against \$22,205,044 of property and \$10,610,443 of investments. In 1920 an issue of 7½% notes, due July 1, 1926, were put out, but the debt is still very conservative.

There is an issue of first mortgage 5s, due 1934, of which \$5,000,000 were originally issued. A cumulative sinking fund has retired well over \$1,000,000, and the balance are rather inactive, but if a purchase can be made around the current quotation of 88 to yield 6.40%; it will provide an ideal investment. Bonds are callable for the sinking fund at 110. A large part of those outstanding will be retired before maturity.

Following the first 5s, there are \$5,476,000 first and refunding 5½s of 1950, quoted about 83, to yield 6.85%. This is not a closed mortgage, but a sinking fund of 1% becomes operative in 1922, and the company's record is such as to make excessive further sales unlikely.

Secured by deposit of 133 1/3% of 6% bonds of this same mortgage there are the \$4,000,000 7½% notes of 1926 previously mentioned. They can be had around par, and while rather short, are a good security. Interest on all of these issues is payable in New York funds.

FORT WORTH POWER & LIGHT CO.

The fourth and last company to be reviewed, the Fort Worth Power & Light Co., is much smaller than the others, but a recent quotation of 83 to yield 7.50% for the first mortgage 5s of 1931 offers a somewhat unusual investment opportunity. The company does the entire commercial electric light and power business of Fort Worth, and the municipal lighting as well. The growth of the city has been very rapid, but along substantial lines, and the position of the bonds is too well safeguarded to be jeopardized by any possible collapse of the Texas oil boom.

The generating plant is of the steam type, located on the banks of the Trinity River, and has a capacity of 13,000 kilowatts. It is designed for 30,000 kilowatts ultimate capacity. The franchise extends to 1935, or four years beyond the life of the bonds.

The \$3,490,000 first 5s constitute the only debt against property carried at twice the figure. A total of \$10,000,000 is authorized, but additional bonds are issuable only for 80% of the cost of additional property and provided net earnings are twice full interest charges.

There is a sinking or improvement fund which began in 1914 at 1% of the bonds, and is now at a 2% rate. This forces the company to constantly add to the equity for the bonds. Earnings have grown from \$514,073 in 1912 to \$1,398,321 in 1919. In this time interest charges have been earned between 3.67 and 4.80 times. Control of the stock is in the hands of the Southwestern Power & Light Co., indirectly a subsidiary of the Electric Bond & Share Co., the large and highly successful utility branch of the General Electric Co. This insures the character of the management and makes the bond perhaps a more desirable investment than it would be were the owners unknown to investors outside of the territory served.

THE WORLD'S BUSINESS (Continued from page 526)

December that a large number of silver, copper, lead and iron mines had been compelled to close, throwing about ten thousand miners out of work. Government expenditures exceeded the revenue.

Now comes the favorable side. The attitude of the Government has demonstrated ability and general friendliness towards this country. It wants to establish sound conditions at home and confidence abroad. A new banking law is promised which is calculated to encourage investments in Mexico. The Mexican president published a decree on January 11, 1921, providing that when the market value of electrolytic copper in New York City drops to fifteen cents or less per pound, the export duty of Mexico is to be removed. Although the volume of business is below normal, foreign salesmen are actively working the market. Mr. Saunders, of the American Chamber of Commerce in Mexico, states that the United States concerns dealing with first-class Mexican houses lose no more money than they do in the United States, and the profits are larger. A report from Commercial Attaché Jackson on January 19, 1921, states that the Banking Company of Paris and Mexico, under a receivership, and the Mercantile Banking Corporation were expecting to reopen within a few days. Another indication of expected prosperity is the opening in Mexico City of a branch of the American Banking Corporation on January 19. The production of coal is being resumed and the railroads are provided with fuel by the settlement of the Sabinas coal strike.

DISCOUNT CORPORATION OF NEW YORK

The Discount Corporation of New York handled a business in acceptances last year totaling \$1,780,943,651, or more than twice the volume of the 1919 business, which was \$854,986,121.

Net profits of the corporation for the year were \$590,970, after making full provision for State and Federal taxes. Dividends amounting to \$200,000 were paid out of this sum, leaving \$390,970 to be carried to undivided profits, which, at the close of 1920 totaled \$625,294.

A Promising Water-Power Company

Industrial Growth of Canada Contributes to Its Expansion—Can Develop by Degrees

By H. R. PHELPS

WAR having withdrawn from Canada almost all sources of outside support, the country was forced to rely upon itself with the result of an unprecedented development. In the last four years there has been amassed a favorable trade balance which wipes out the total adverse balance accumulated during fifty years of trading with other countries. Canada's buying power has more than doubled in four years, while its productiveness, as instanced by its sale of commodities to the United States, Great Britain and other countries, has increased between three- and four-fold since pre-war days. Of all the nations engaged in the war, with the exception of this country, Canada has fared best in a financial and business way. Agricultural and industrial advancement was most marked, the development of every national resource was spurred by the heated demands of war, and the companies supplying power have been placed in a most enviable position.

Power is the most essential commodity of the day, and to make it cheaply is one of the most important factors of our industrial life. The two main sources are coal and falling water. The cost of the labor and the necessity of mining deeper and farther afield increases the cost of coal, so that the cost of power produced from coal rises continually while every ton consumed depletes the remaining supply. The power of falling water, on the other hand, is inexhaustible, and in this mechanical age is destined to become the foundation of further progress and prosperity of civilization.

Production must increase; and as the hours of labor are reduced, the efforts of the worker must be multiplied many times by machinery. It is power that puts life into a machine, and the amount available and the extent to which it is utilized will be the measure of the progress of a nation.

The Province of Quebec has within its borders large water resources capable of being developed so economically as not only to offset the lack of coal supply, but to be a means of attracting industry after industry to take advantage of this wonderful source of power, even though they come from countries having a plentiful supply of coal.

Southern Canada Incorporated in 1913

The Southern Canada Power Company was incorporated in 1913 under the laws of Dominion of Canada for the purpose of acquiring the rights, power sites, equipment and business of the South Shore Power & Paper Co., Ltd. In addition to various subsidiaries taken over, the company has acquired several municipal and privately owned power plants and distribution systems. At the end of the fiscal year 1920 it was supplying light and power to about fifty municipalities located in the southern part of the Province of

Quebec between the St. Lawrence River and the United States boundary. The territory in which the company operates and in which it has practically no competition, covers several thousand square miles.

This company is in a fortunate position in being the owner of six water powers on the St. Francis River, near Drummondville, where the river, draining a water-shed of over 4,000 square miles, drops 300 feet to the sea level. These powers, with a small one on the Magog River at Sherbrooke, will develop over 100,000 horsepower.

Following out its progressive policy of conservation, the government of Quebec has built a large storage dam at the headwaters of the St. Francis River, to further regulate and improve the flow of this stream. The dam is eight hundred feet long and twenty-seven feet high, and forms a lake 20 square miles in area, in which the flood waters during the Spring are stored to increase the supply the year round. With this storage in operation, the capacity of the water powers owned by the company will probably be increased 50%.

The management has recently finished the development of one of its sites on the St. Francis River which has an ultimate capacity of 18,000 horsepower. Machinery is installed at the present time to utilize less than half this supply, but practically all the construction is now completed for the installation of the two remaining units which will be added as the demand for power warrants.

demand warrants and it is in the fortunate position of being able to do so in units of a size large enough to be capable of economical development and yet small enough so as not to require large installations in advance of the company's requirements.

The Southern Canada Power Company maintains an efficient industrial department, whose duties are to locate industries in the territory served by the company. This department has been singularly successful, and has already located a number of industries, and has negotiations under way for the location of several more. The location of plants in this territory is due to cheap power, favorable living and an excellent labor market.

Conclusion

The Southern Canada Power Company has an outstanding capitalization of \$4,000,000 common stock, \$292,200 6% preferred stock and \$3,490,025 bonded debt. It has also an appreciable amount of notes payable in its current liabilities—namely \$536,207—and this, with other items, causes an excess of current liabilities over current assets by more than \$150,000. In other words, an increase in working capital is very desirable.

While the common stock has never paid a dividend, the assets behind this issue have been steadily accumulating. Nevertheless the common is still in the very speculative class with a limited market, and is further influenced by the fact that the company, although operating for sev-

SOUTHERN CANADA POWER COMPANY.							
Combined Operating Statement, Including Subsidiaries.							
Year	Gross Earnings	Operating Profits	Non-operating Profits	Total Income	Interest, etc.	Net Income	Preferred Dividend
1914	104,402	41,402	120	41,582	33,644	7,936	.....
1915	120,577	50,157	816	50,673	37,894	21,846	.....
1916	148,429	65,335	7,023	75,358	54,771	20,585	.....
1917	432,634	118,673	5,543	194,215	146,565	47,947	.....
1918	475,060	190,998	10,819	210,517	162,359	48,157	.....
1919	566,091	256,311	6,963	263,263	205,229	58,064	.....
1920	663,587	285,312	26,155	324,467	252,810	71,637	+13,087
							\$8,630

*Preferred stock was issued in exchange for the controlling interest of Sherbrooke Railway & Power Co. common stock, and is cumulative from January 1, 1920.

On the Magog River only 4,000 horsepower is at present utilized, but this can be increased considerably, as is also the case with the other small developments on the Yamaska and Salmon Rivers. In addition, the present supply is further supplemented by three small steam plants, and by power purchased from the Shawinigan Water & Power Company and from the Montreal Light, Heat & Power Company.

The high tension transmission system has more than 250 miles of line and forms a network connecting its power developments with sub-stations and distribution systems.

The company will bring its present powers up to capacity, and will develop its other resources from time to time as the

years, is still a "construction proposition" to a large extent, since a great deal of development work has yet to be done. However, the eventual completion of the company's development program should see a considerable enhancement in the market value of the shares. The common is quoted at this writing at 20 to 25, Canadian funds, the prevailing discount in American money being 12%.

The preferred is quoted 74 to 76 in Canadian funds. Due to the earning ability of the company and its cumulative provision, this issue seems to have its dividends assured; and the bond interest has always been earned by a good margin in the past. Consequently the bonds and preferred stock of the com-

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Mining

Prospects of the Boston Coppers

Mohawk Mining Co. Seems in Best Position at This Time—Copper Range's Low Production Cost an Advantage

By D. I. CASSETT

THE Boston Stock Exchange is one of the favorite markets for mining shares, there being no less than 95 mining securities on its official list. Of these 95 stocks, 65 are coppers. If we eliminate 12 of these copper stocks, which are also listed on the New York Stock Exchange, we have left 53 copper stocks listed exclusively on the Boston Exchange. In comparison with these figures, it is of interest to point out that the New York Stock Exchange list includes 17 coppers, and 17 other mining stocks, making a total of 34 common stocks of mining corporations, to which should be added five preferred stocks, making a total of 39.

With Boston the favorite market for mining shares, particularly coppers, it is of interest to observe the present status of the leading Boston coppers, or, more properly speaking, the Boston copper shares that have shown the greatest resistance during the present period of depression. Of the 53 exclusively Boston coppers, nine paid dividends during the year 1920, and only two companies are paying dividends now. The companies that paid dividends during 1920 are listed in the table herewith, which includes statistical information for purposes of comparison.

THE AHMEEK MINING COMPANY was incorporated in 1880, and it began paying dividends in 1911, the distribution being \$5 a share for that year. Since that time it has maintained an unbroken dividend record up to December, 1920, when the dividend was passed. In 1912, the dividend was \$22, \$17 in 1913, \$4 in 1914, \$18 in 1915, \$14 in 1916, \$14 in 1917, \$8 in 1918, \$3 in 1919, and 50c. in 1920, making a total of \$11,950,000. The Ahmeek is controlled by Calumet & Hecla, which owns 99,168 of the 200,000 shares outstanding.

The company's property includes 930 acres lying between the Mohawk and Allouez properties, and its underground workings develop important ore bodies on the Kearsarge Conglomerate Lode. The

ore body is about 15 to 16 feet wide and averages a little over 1% copper. About 3,000,000 tons of milling ore is kept blocked out in reserve and the total ore reserves developed are estimated at about 5,000,000 tons, or approximately five years' supply. During the year 1920, the company produced only 2,500,000 pounds of copper and was forced to suspend operations during the month of August. During 1919 its cost production was about 21½c. per pound, and slightly more than this during 1920. This company has been a low-cost producer under normal conditions, but it is operating at a loss now.

THE CALUMET & HECLA MINING COMPANY was incorporated in 1871 as a consolidation of the Hecla, Calumet, Portland and Scott Mining companies. Its original charter was amended in 1905, under the new laws of Michigan, making the corporation a securities holding company as well as a mining and smelting company. It has secured control of numerous other mines and mining tracts by organizing subsidiary corporations and also by acquiring stock in companies previously organized. Since its organization, it has maintained an unbroken record for dividends. The dividend for 1920 amounted to \$10 per share, which is the present rate, and equivalent to a yield of 4% on the current price of the shares. During the past four or five years the company has maintained a production of about 3,000,000 tons of ore, averaging a little over 1% copper. The company's production comes from very low-grade ore, lower than the average of any of the large porphyry deposits. By virtue of its managerial and technical ability, it has been able to produce copper as cheaply from low grade material as it formerly produced from richer ore. Furthermore, by retreating the old waste product made years ago at its mills and dumped into the lake, the company is saving over 9,000,000 pounds of copper annually. The shares of subsidiary companies which Calumet & Hecla has purchased have all turned

out to be profitable investments, and have more than paid for themselves out of the earnings of the various companies. However, under present copper market conditions, Calumet & Hecla's subsidiary companies are all losing money, and unless there is a turn in the copper market before long, it is not improbable that this company will decide to reduce its dividend.

COPPER RANGE COMPANY was incorporated in 1899. It has paid dividends since 1905, with the exception of the year 1914, total payments to date amounting to \$26,600,000. In December, 1920, the dividend was passed. Its holdings consist not only of the assets of its predecessor, the Copper Range Consolidated Company, but also its shareholdings in the Champion Copper Company, the Atlantic Mining Company, the Trimountain Mining Company and the Copper Range Railroad Company. It is the second largest producer in the Lake Superior district. About the middle of 1920 production costs were averaging around 15c. per pound. Towards the close of the year, as the price of copper declined, the company was operating at a loss, and its dividend, usually due December 15, was passed. The dividend has not been earned since the latter part of 1919.

THE DAVIS-DALY COPPER COMPANY, which was incorporated in 1908, as successors of the Davis-Daly Estates Copper Company, owns 29 lode claims, covering about 200 acres, in the City of Butte, Montana. The company paid an initial dividend of 50c. per share in June, 1918, and a total of 75c. for that year; 50c. in 1919; and its last dividend of 25c. in March, 1920. During the second quarter of 1920, the company operated at a loss. The company's most promising property is the Hesperus, which is developed to a depth of 2,500 ft., the bottom level being connected with the Anaconda Copper Mining Company's Belmont Mine. In addition to the low grade zinc ores for which the property is well known, recent developments have opened ore bodies averaging

1920 DIVIDEND PAYERS AMONG BOSTON COPPERS

Name	Shares	5-yr. Average	Annual Copper Production—Lb.	Last Div. 1920	Date	Amt.	Present Div. Rate	Price	Yield
Ahmeek	200,000	23,147,362	115	September 20		\$0.50	(a)	51	0
Calumet & Hecla	100,000	64,642,893	646	June 5		5.00	\$10.00	249	4.0
Copper Range	324,369	30,991,428	78	September 15		0.50	(a)	33 1/4	0
Davis Daly	600,000	*8,118,346	13.5	March 10		0.25	0	7	0
Mohawk	100,000	17,810,180	173	October 9		1.00	4.00	46 1/4	8.6
New Cornelia	1,000,000	*6,000,000	20	August 22		0.25	0	16	0
Oceola	96,150	17,255,663	180	June 30		0.50	(b)	27	0
Quincy	110,000	20,932,993	190	March 1		1.00	(c)	38	0
Wolverine	60,000	5,764,146	96	January 2		0.50	(d)	18	0

*1919 only. (a) Dividend passed Dec., 1920. (b) Dividend deferred Sept., 1920. (c) Dividend passed June, 1920. (d) Dividend passed March, 1920.

6 ft. in width and containing 8% copper and $6\frac{1}{2}$ ozs. silver per ton. Present ore reserves are estimated to have a life of about three years at normal rate of production. However, an extensive area of

averaged about 10% above estimates. Under normal conditions, New Cornelia will be a consistent dividend payer for many years.

OSCEOLA CONSOLIDATED MINING COM-



THE AHMEEK STAMP MILL AT HUBBELL, MICH.

unexplored ground holds out attractive speculative possibilities.

THE MOHAWK MINING COMPANY was incorporated in 1898. It owns 800 acres covering a portion of the Kearsarge amygdaloid load, about four miles northeast of Calumet, Michigan. The ore body is about 15 ft. to 18 ft. wide and the ore mined averages a little over 1% copper. The company has paid dividends regularly beginning with 1906, the total distribution amounting to \$9,357,000. In 1918, the company's engineers estimated ore reserves containing 260,000,000 pounds of copper, equivalent to a yield of 13,000,000 pounds annually for twenty years. The average production during the past five years has been above this figure. The company is a low cost producer, and is the only other company, excepting Calumet & Hecla, which continues to pay a dividend, the present rate being \$4 a share, equivalent to a yield of 8.6% at the current market price of the stock.

NEW CORNELIA COPPER COMPANY is a subsidiary of the Calumet & Arizona Mining Company, which own 1,225,741 New Cornelia shares. The company paid an initial dividend of 25c. per share in November 1918, none during the year 1919, 75c. during 1920, the last dividend of 25c. being in August, 1920. Dividends were discontinued on account of copper market conditions and large supplies of unsold copper on hand. The property is not shut down, but its reduced operating cost is being employed in mine development. The company's property is located at Ajo, 44 miles south of Gila Bend, Arizona, and comprises about 1,700 acres, of which 55 constitute the New Cornelia orebody. The ore is in a large porphyry mass, having a maximum vertical thickness of about 600 ft. Some shoots of high grade copper ore are found in the deposits, but the average grade of the entire estimated ore reserve of 56,000,000 tons, is 1.58% copper. About half the entire ore deposits is available for steam-shovel mining, and low operating costs are to be expected. The grade of the ore already mined has

PANY was organized in 1873 and began paying dividends in 1878. Up to the end of 1919, the total dividend distribution amounted to \$17,670,125. In December, 1920, the dividend was deferred. The company's property includes 2,120 acres in Houghton County, Michigan. It operates the Osceola, North Kearsarge, South Kearsarge and Tamarack Junior mines. It is a low-grade, but not a low-cost producer. The average ore contains about 13 pounds of copper per ton. It is under the control of Calumet & Hecla, through ownership of 33,560 shares of its stock.

THE QUINCY MINING COMPANY was organized in 1848, and was reincorporated in 1908 for a third term of 30 years. Quincy paid its first dividend in 1862 and profits have been disbursed to shareholders in every succeeding year, except 1866 and 1867, giving the company a continuous

72nd anniversary. During this time it has paid its stockholders about \$27,000,000 in dividends. Its total dividends, together with its cash surplus, are equivalent to a profit of about 4½c. on each of the 650,000,000 pounds of copper produced, and sold at an average price for the entire period of a little over 16c., equivalent to about \$100,000,000. Its properties are very extensive and include the Pewabic and a number of parallel copper bearing amygdaloids. Its ore reserves are large, and estimated to contain over 1,000,000 pounds of copper, and a future life of more than fifty years. The company will resume dividend payment with an improvement in the copper market, and will continue to pay dividends for many years.

THE WOLVERINE COPPER MINING COMPANY controls 640 acres, covering 3,100 ft. along the Kearsarge amygdaloid vein, on which the mine is opened. In the Wolverine property the vein averages about 16 ft. wide and was for many years one of the richest amygdaloidal mines in the Lake Superior district. Recently, the ore has averaged a little over 15 pounds of copper per ton of ore. The mine is opened by four shafts, three of which are sunk in or near the vein, and the fourth placed 45 ft. in the foot wall for safety. The ore bodies are opened to a total depth of 4,460 ft. and the lateral development is accomplished by 43 levels. The company's production of refined copper has fallen off from 7,250,000 pounds in 1915 to 3,930,000 pounds in 1920. During the past year the company operated at a loss. The company has paid dividends regularly since 1898. During the past two years the amount of the dividend has fallen off rapidly, the last payment of 50c. a share being made on January 2, 1920. In March, 1920, the dividend was passed. This company's cost of producing copper has more than doubled since 1915, and it cannot hope to earn a profit until the price of the metal has recovered to a point well above its average price for the past eight years, or its operating expenses are correspondingly reduced.



THE BIG LEACHING VATS AT THE NEW CORNELIA MINE

dividend record of 49 years, from 1868 to 1920, to be in the best position at this March 1920, when the last dividend of \$1 was paid. In June, 1920, the dividend was passed. The year 1920 marked Quincy's

of all the Boston Coppers, Mohawk appears to be favored by low production cost, low capitalization, and ability to continue dividend payments, which are equivalent to those of the Boston Coppers.

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Can the Mining Shares Come Back?

How Far the Downswing Has Gone—Avoidance of Stock Dividends a Strengthening Feature
The Course of Copper Metal Prices

By C. S. HARTLEIGH

THE mining shares listed on the New York Stock Exchange include 17 coppers, and 17 others which, if classified according to their most important products, would be designated as 4 golds, 2 silvers, 3 leads, 4 zincs, 1 nickel, 1 vanadium, and 1 diamond. These shares are enumerated in Table I, together with price ranges for the year 1920, and current quotations. Apparently, all have declined together in the general slump; good, bad, and indifferent; and regardless of relative earnings, or dividends.

Will they go back again? If so, how far back? In attempting to answer these questions it is of interest to compare the mining shares with each other, and with those industrial shares that have been increased in number through the payment of stock dividends.

Only One Stock Dividend in Mining Group

All other conditions being equal, the shares of industrial corporations which have paid stock dividends during the past few years will fall short of recovering their former market position according to the amount of new stock issued. It is self-evident that if a corporation has doubled the number of its outstanding shares, each share will be worth one-half its former value, unless there is some marked improvement over its former earning ability, or a favorable development in the market for its product.

The retarding influence of increased outstanding stock, which will effectually limit the rebound of many an industrial share, will, fortunately, have little effect on the mining shares, for only one out of the entire group of 34, namely, St. Joseph Lead, has made a stock distribution during the past year, and St. Joe's dividend was only 10%. However, several of the mining companies have done something else that will have the similar effect of reducing the equity behind each share, namely, the reduction of surplus by the process called capital distribution.

Several mining corporations, particularly the coppers, continued to pay dividends even after their operations were conducted at a loss on account of the slump in the price of the metal. Because the companies did not desire to go on record as having established a policy of paying dividends that were not justified by current earnings, these payments were called "capital distributions." This practice served two purposes; first, it distributed among stockholders some of the large reserves built up with war profits, and, second, it may have permitted certain advantages in connection with the calculation of income taxes.

Six copper companies have made capital distributions in the past four years, namely, Kennecott, Chino, Nevada, Ray, Utah and Shattuck. Kennecott distributed 50c. in 1917, \$2 in 1918, \$1 in 1919, and 25c. quarterly thereafter. By the end of 1919 Kennecott's working capital per share was \$1.91, as compared to \$19 for Anaconda,

\$17.20 for Utah, and \$16 for Cerro de Pasco. Chino distributed capital to the amount of \$1.25 in 1917, \$1.25 in 1918, and 75c. in 1919. Similarly, Nevada distributed 50c. in 1917, and \$2.65 in 1918. Ray made a capital distribution of 50c. a share in 1917. Utah distributed \$1.75 in 1917, \$2.25 in 1918, and \$4.80 in 1919. Finally, among the coppers, Shattuck made capital

TABLE I.—MINING SHARES LISTED ON N. Y. STOCK EXCHANGE

Shares:	1920 Range			Recent Price
	High	Low	*Price	
Coppers:				
Anaconda	66 1/2	30	38 1/2	
Calumet and Arizona	69	40	49	
Cerro de Pasco	31 1/2	24 1/2	27 1/2	
Chile	21 1/2	7 1/2	11 1/2	
Chino	41 1/2	16 1/2	22 1/2	
Granby	55 1/2	15	22 1/2	
Greene-Cananea	38 1/2	15	23	
Inspiration	61 1/2	22	34 1/2	
Kennecott	32 1/2	14 1/2	19	
Miami	26	14 1/2	18 1/2	
Nevada	17 1/2	8	11	
Old Dominion	37 1/2	17	18	
Ray	22 1/2	10	13 1/2	
Seneca	22 1/2	14 1/2	18 1/2	
Shattuck	18	6	6	
Tennessee	13 1/2	6 1/2	8 1/2	
Utah	80 1/2	44 1/2	55 1/2	
Gold:				
Alaska Gold	2 1/2	1 1/2	1	
Alaska-Juneau	3	1 1/2	1 1/2	
Dome Mines	18	9 1/2	12 1/2	
Homestake	71	45	50	
Rand Mines	20	20	20 1/2	
Silvers:				
Ontario Silver	9 1/2	3 1/2	5	
Batopilas	1	1	1	
Leads:				
National Lead	98 1/2	68 1/2	72	
St. Joe Lead	17 1/2	10	18 1/2	
Federal M. & S.	16 1/2	5	8	
Zincs:				
Am. Z. L. & S.	21 1/2	5 1/2	8 1/2	
Butte C. & Z.	11 1/2	3 1/2	5	
Butte & Superior	35 1/2	5	13 1/2	
Callahan Z. L.	20 1/2	4	5 1/2	
Nickel:				
International	26 1/2	11 1/2	15 1/2	
Vanadium:				
Vanadium Corp.	97	28 1/2	36 1/2	
Diamond:				
De Beers	26 1/2	15	20	
*Feb. 7, 1921.				

TABLE II.—MINING DIVIDENDS IN 1921

Stock	Dividend	Yield on Recent Price
Calumet & Arizona	\$4.00	8.2%
Cerro de Pasco	4.00	14.4%
Kennecott	2.00	10.5%
Miami	2.00	10.8%
Ray	1.00	7.6%
Utah	6.00	10.8%
Dome Mines	1.00	8.1%
National Lead	6.00	8.8%
St. Joe Lead	1.00	8.9%
Callahan Z. L.	2.00	39.1%
Vanadium	4.00	11.6%
De Beers	.75	3.7%

distributions of \$3 in 1917, \$1 in 1918, and 25c. in 1919.

Turning to the mining shares other than copper, we find that St. Joe Lead's dividend for 1917 includes a payment of 15% from reserve for amortization, and in 1918 a similar payment of 10%. In 1917, Butte & Superior made a capital distribution of \$1.25 a share. Among the mining shares, the only other stock dividend than the one paid by St. Joe Lead in 1920 was paid by International Nickel in 1915, and amounted to 10%.

Dividend Earning Ability Important

However, with improved industrial conditions, and a recovery in the metal

market, most substantial mining companies would exhibit remarkable recuperative powers, and it is probable that the above mentioned factors would have very little retarding influence on the upward swing of their share quotations. A better measure of their relative strength is their dividend earning ability, and Table II sets forth those mining companies that have shown the greatest endurance during the recent depression, and are still paying dividends. If we consider the companies that paid dividends in 1920, our list would be much longer, and would include Anaconda, with a dividend of \$4; all of the porphyry coppers excepting Chile, which has not yet entered the dividend class; and the lode coppers, Greene Cananea and Shattuck. There would be no change so far as the non-coppers are concerned, which make a relatively poor showing, with the exceptions shown in Table II.

In considering the showing the substantial mining companies have made during the recent depression, the outlook for better metal market conditions eventually, and the ever-increasing and accumulating potential demand for the metals, it is practically certain that the mining shares will come back. And, although they may not reach the 1916 record prices, which were due to abnormal temporary demands for the metals, they will give as good, if not a better, account of themselves than many of the other classes of industrials, some of which have forever mortgaged their future possibilities of market recovery through increased capitalization and unwieldy consolidations.

The Trend in the Past

If we assume that the market behavior of the copper shares may serve to illustrate the general trend of substantial mining stocks, we will have a basis for estimating to what extent the mining stocks are likely to rise in the next bull market. During the latter part of 1912, the average price of twenty copper shares was about \$48. About the middle of the following year the average fell to \$34, and after rising to a little over \$40 early in 1914, it again declined to a little less than \$33, which remains the low record for the same group of shares until about the middle of 1920.

The average price rose sharply during the first half of 1915 to about \$45, and continued its general upward course, through various gyrations, until it reached the extreme high record of \$62 in the latter part of 1916. During the last month of 1916 and throughout the first eleven months of 1917, the average price slumped to \$38, recovered to \$41, and then fluctuated between \$40 and \$41, throughout the year 1918. By the way, the steady behavior of the average during 1918 was just a little below the average price over a period of eight years ending with 1920, this eight-year average being about \$41.60.

Early in 1919, the average price took a dip to \$35 and recovered sharply to \$46,

giving uninformed traders the idea that they were in the midst of a bull market. However, this upward movement proved to be artificial, and terminated about the end of July, 1919, and thereafter declined regularly to little more than \$20 by the end of 1920.

If it is reasonable to assume that the high point of \$62 toward the end of 1916 was due to abnormal conditions growing out of the war, and that it would be unreasonable to expect the same group of stocks to return to that level. If we compare the pre-war level of \$48 with the average price of \$30 at the end of 1920, we note that our average price must move upward about 28 points to reach this pre-war level.

Again, we note that the average market price for copper metal for the eight years ending with 1920 was about 20.6 per pound. In view of the fact that the average price of copper shares followed the average price of copper to a remarkable degree during these eight years, it is interesting to note that if the metal recovers to at least this eight-year average price, with the adjustment of industrial conditions during the next year, a corresponding increase in the average price of the shares would bring them up to somewhere around \$48, or about their pre-war average. If the average price of shares recovers to the eight-year average, this would mean that the average share would practically double in value. If the average price of shares recovers to its pre-war level of about \$48, the rise in market price would be equivalent to 140% of present average values.

With these various speculations in mind, and appreciating that they indicate only general trends, I am influenced towards a decidedly optimistic view of the possibility for substantial recovery of all intrinsically sound mining shares. Further than this, I am led to believe, for reasons already pointed out, that the substantial mining shares will have even better chances to recover than many of the other industrial shares.

DEMAND FOR UTILITY STOCKS

J. H. Briggs, manager of the bond department of H. M. Byllesby & Company, says: "A distinctly better tone in the investment market characterized the opening weeks of 1921. The general rise in prices of securities on the New York Exchange, combined with favorable statement of the reserve banks and the quick absorption of one or two large issues, restored confidence in the investment market. Long-term mortgage bonds are in excellent demand and each succeeding issue gets a wider and wider distribution, as is evidenced by the abnormal request for small denominations. A recent utility issue of \$3,500,000 par had no less than 1,600 pieces of \$100 denomination. Small investors, as well as large investors are taking this opportunity of placing their money for the next ten to twenty-five years at prevailing high rates."

Tennessee Copper and Chemical Turning the Corner

New Developments Promise Better Things for Stockholders—Atlanta Plant Running for Three Months

By K. O. LOWELL

TENNESSEE Copper and Chemical Corporation produced 333,629 tons of 60° sulphuric acid during 1920. This is 50,000 tons in excess of the production during any previous year in the history of the company, which is probably the largest producer of this commodity in the world.

On December 31, 1920, the 10-year contract with the International Agricultural Corporation terminated. Under this agreement, Tennessee Copper delivered its output of sulphuric acid at a very low pre-war price, and was prevented from reaping the enormous profits which it might otherwise have earned from war orders. Therefore, since the first of this year a portion of its acid has been delivered under new contracts with several of the large fertilizer companies, and to other consumers, at prices yielding satisfactory profits. Furthermore, the company has been able to reserve sufficient acid for its own fertilizer needs.

Atlanta Plant Resumed Last November

As far back as November, 1920, operations commenced at the new plant at Atlanta, Ga., of the Southern Agricultural Chemical Corporation, Tennessee Copper's fertilizer subsidiary, a full season earlier than was at first thought possible. This is not generally known outside of trade circles, and the company's ability to make shipments of acid phosphate from this new plant, is an illustration of its improved condition.

Tennessee Copper enters the fertilizer business under fortunate conditions, as the result of a wise decision to confine its first efforts to the production of acid phosphate only, instead of loading itself up with unwieldy stocks of high-priced ammoniates, potash, and other mixed fertilizer ingredients. By virtue of this sagacious policy it is in a class by itself among large fertilizer companies, in that it is not embarrassed by the necessity of writing off large inventory losses. At the present price of \$17.50 for the 16% bulk acid phosphate which it makes, the Atlanta plant should be able to earn a substantial profit for the parent company during the ensuing year.

Favorable Underground Developments

It is understood that there were favorable underground developments in Tennessee Copper's mining properties last year, which would probably assist the company in maintaining its increased acid production for an indefinite period. Moreover, lower prices for coke, nitrate of soda, dynamite and other supplies, together with lower wages and increased efficiency of labor, should have the effect of reducing the unit cost of both acid and copper.

Tennessee Copper's acid and fertilizer operations have assumed such large proportions, that it is unreasonable to continue classifying it as a copper mining

company. It is virtually a chemical manufacturing company, and its copper should be regarded as a by-product incident to the production of its essential raw materials. However, improved underground conditions have placed the company in a position to enlarge its copper output for the purpose of taking advantage of improved copper market conditions whence such a policy is warranted.

Steady Earnings in Prospect

With the low-price acid contract out of the way, which was a veritable mill-stone during recent years, and active entrance into the fertilizer field, it appears that the company has passed through a period of transition from occasional profits during periods of high-price copper to steady and substantial earnings irrespective of the price of copper.

The immediate outlook for manufacturers of mixed fertilizers, who have on hand high-priced stocks to dispose of in the face of temporarily reduced purchasing power on the part of the logical consumers, is generally disappointing. Financially embarrassed farmers have been getting into the habit of mixing their own fertilizers by adding acid phosphate to other ingredients which they themselves have on hand. Herein lies the advantage of a manufacturer of acid phosphate, over the producers of mixed fertilizers who must finance large inventories.

New Hope for Stockholders

With these facts in view, the stockholders of Tennessee can begin to see the light, especially when their company has in hand contracts for the next three years which bid fair to net substantial profits. We have reason to believe that the company's balance sheet is beginning to reflect its improved conditions, and that figures that until a short time ago appeared to be "in the red" will soon be black. It is beginning to look as if Tennessee Copper would soon turn the corner, if it has not already done so.—vol. 27, p. 115.

GO AHEAD OR TURN BACK?

In 1789 23.8% of our overseas commerce was carried in American vessels. In 1810 America's merchant marine had made such giant strides that 91.5% of the tonnage was carried on our own bottoms. A progressive decline then set in, culminating in the year 1910, when the percentage of commerce carried by ships flying the American flag amounted to less than 9% of the total.

The war revived our merchant marine. In 1919, 27.8% of the overseas commerce was transported by our own ships. Now, says the National Marine League of the U. S. A., we've turned the corner. Shall we slip back—or shall we go full steam ahead?

Petroleum

Effects of Declining Crude Oil Prices

Industry Likely to Reach Greater Stabilization—Absorption of Smaller Concerns Probable—Time for Careful Discrimination in Choice of Investments

By C. N. LINKROUM

FOR the first time since 1916, petroleum prices have been materially reduced within the past few weeks. Notwithstanding the expressions of opinion of leaders of the industry to the effect that prices must be maintained in order to encourage production, the industry in general had arrived at the conclusion that some price reductions would probably be effected, but the radical nature of the price cutting has come as rather a distinct shock to most people who have been in close touch with oil developments.

The only comfort which the oil producer can obtain from recent developments is to hope that the rapid succession of reductions have been put into effect with the idea of quickly placing the industry upon a new footing so that all interests concerned might go forward upon this new basis without feeling anxiety regarding further price reductions from time to time.

Why the Change in Front?

Undoubtedly, the question now uppermost in the minds of investors in oil securities is what has created this sudden change of front on the part of the oil industry. There is no one factor which is responsible for the recent developments. The changed conditions are due to a number of factors, some of them easily apparent and others which are not so readily discernible.

One of the principal considerations contributing to the decision of the leading oil interests to inaugurate a price cutting campaign, was financial. At the recent high prices an unprecedented volume of capital was required to run the business of the various oil companies. This is easily apparent when it is noted that the American petroleum industry's requirements last year were estimated at close to \$1,500,000,000 against approximately \$800,000,000 in the previous year and \$134,000,000 in 1911.

The crude oil purchases of one big oil company in the Mid-Continent field last year involved an outlay of \$188,000,000. Recent reductions in the price of Oklahoma crude will result in a decrease of \$75,000,000 per annum in the amount of money needed to finance this company's purchases.

At the same time, companies of this kind which in periods when production is in excess of consumption store a large amount of crude oil, did not care to fill

up their tanks at the recent existing prices for the commodity. Prairie Oil & Gas Company which produces and purchases crude oil and re-sells to various refining companies is reported to have recently had in storage about 16,000,000 barrels of oil, compared with its storage capacity of 54,000,000 barrels. This company's storage at the recent low point was lower than at any time since 1913. In 1914 the company filled up many of its tanks when Oklahoma crude was selling at 40 cents a barrel and this oil was later sold at much higher prices when production was running behind consumption.

Likewise the big refining and marketing companies which found it necessary to make heavy purchases from other interests during the Winter months in order to supply heavy Summer demands, will be able to finance their purchases for less money as a result of the present tendency toward lower prices.

Many investors naturally jump to the conclusion that a 4c. reduction in the price of gasoline means a heavy loss to Standard Oil Company of Indiana, which is the biggest refiner and distributor of gasoline in the world. But at the season of the year when this reduction is put into effect,

lowering of prices, as follows: "In the course of a few days announcement of a decrease in the price of refined products will be made. Something must be done to bring down the cost to the consumer, as petroleum products are about the only commodities that have not reflected an after-the-war adjustment. In addition there has been a marked reduction in the consumption of the refined products, but no doubt it is due to the high prices. The announcement we will make of a new wholesale price schedule, we believe, will be handed on to the consumer by the retailer, who will be benefited by our decreases."

There is no question but what the oil industry is now feeling the effects of general industrial depression. While at this time of the year the industry expects to take care of an excess of production over consumption, the surplus is larger than had been anticipated, due to the closing down of industrial plants burning fuel oil and using lubricants, the reduction of shipping operations and also some curtailment in the use of automobiles. The petroleum business, however, has been slower in feeling the effects of the slackening of business than most other lines and in case of a revival of activity, it should be quick to respond to the new conditions.

Future Holds Promise

There is every reason to look forward with confidence to the future of the industry. More and more the world is coming to rely for its progress upon the products of petroleum, and while there may be temporary periods of over-production it seems reasonable to expect that the consumption curve will continue upward for some years to come. There are almost 9,000,

000 automobiles registered in this country today. While some people may find it difficult to operate their cars under present conditions or may find it desirable to reduce their operation to a minimum, nevertheless this enormous amount of vehicles operated by internal combustion engines will call for a very great quantity of motor fuel under any conditions and likewise many industrial plants and ships which have turned to the use of fuel oil will not be quick to abandon its use.

This, of course, is looking at the situation from a long range viewpoint and probably does not help some of the small interests who are going through a very

(Continued on page 574)

Grade	COURSE OF CRUDE OIL PRICES					Present Price
	1917	1918	1919	1920	1921	
Pennsylvania	2.95	8.75	4.00	5.00	6.10	4.75
Corning	2.90	2.40	5.85	5.50	4.25	3.00
Cabell	2.10	2.70	2.77	5.45	4.10	3.40
Somerset, light	2.05	2.55	2.60	5.25	6.50	3.00
Ragland .....	.95	1.20	2.22	1.75	2.60	1.50
North Lima	1.65	2.00	2.58	2.58	3.75	2.95
Illinois	1.67	2.12	2.42	3.02	3.77	3.02
Mid-Continent	1.60	2.00	2.25	2.75	3.50	2.00
Healdton .....	.50	1.20	1.45	2.00	2.75	1.25
Gulf Coast .....	.98	1.00	1.50	1.50	2.50*	1.50
Canada	2.00	2.55	2.73	3.35	4.15	3.85

*High price of \$3 reduced 50c. in latter part 1920.

Standard Oil Company of Indiana is buying millions of gallons of gasoline from other companies, mostly independents in the Mid-Continent field, which find it difficult to sell their products at any price, while the Indiana company's sales at this time of the year are comparatively small.

Going Back to Normal

Another factor contributing to the price reductions has been the general industrial situation and the feeling on the part of the big oil companies that they were expected to co-operate in the movement to get back to normal. This was clearly set forth in a statement made by the Midwest Refining Company explaining reasons for the

Unwise to Plan for Oil Burning Steamships

Supplies Not Permanently Sufficient—Diesel Engine the Solution, But Will Develop Slowly

By LORD PIRRIE

NOTE—On his return from the United States I asked Lord Pirrie, widely known as a dominant figure in British oil and shipping circles, to sum up for me the impressions derived from his investigation of the oil situation in America. In response to my request he prepared the following statement.—MAX GOLDSTEIN, European Traveling Representative of THE MAGAZINE OF WALL STREET.

MY object in visiting the United States was mainly in connection with the supply of oil fuel which has developed into a very important element in connection with Shipping—particularly as regards future supplies. After spending a few days discussing the question with practical men, I found it desirable to proceed to Mexico with several of my colleagues to inspect the oil fields and consider the question carefully on the spot.

I have held strong views for the last ten or fifteen years that it is a wrong principle to burn oil merely as fuel. At the same time the Diesel Engine will require great care in manufacture as well as developing slowly.

Personally I feel concerned after having recommended so many of my shipowning friends to convert for oil fuel consumption, which undoubtedly is a most extravagant way of using such a valuable commodity, and I feel that only such vessels as the White Star, Cunard, Royal Mail, Union Castle, and other similar express passenger liners will be secure for future oil

supplies, and am therefore advising friends to stop converting ordinary cargo vessels.

Until shipowners are quite satisfied that there will be an abundant supply of oil available, naturally they are inclined to proceed cautiously. Oil will, no doubt, be available in large quantities to vessels employed in certain trades, but there is a possibility that any shipowner or shipbuilder proceeding without careful consideration may find himself in difficulties.

Until Mexico gets into a more settled state my feeling is that there is great insecurity in going in for too large a program of vessels built for oil fuel consumption—more particularly as at the present time we are relying to a very large extent upon the production of the Mexican oil fields. Every step should be taken to prevent wasteful use and the consequent exhaustion of supplies. This can only be done by the adoption of the internal combustion engine, but today it would be a great responsibility for any shipbuilder to advocate this, as with Diesel engines, if oil could not be obtained in the trades in

which such vessels are employed, they would be quite useless.

It is no doubt for this reason that so many shipowners are probably wise in only using oil at present for burning, until they are absolutely satisfied that there will be a certainty of future supplies. They always have the option with little difficulty of going back again to coal burning.

I am hopeful that the election of the new President of Mexico—General Obregon—will stabilize conditions in Mexico, and that such guarantees will be forthcoming from the Mexican Government as will encourage both British and American enterprise and give a sense of security for the future.

As regards my journey on the Olympic, I cannot speak too highly of the arrangement for oil fuel consumption, which certainly adds very considerably to the comfort of the passengers.



Readers' Round Table

BROKERS' INTEREST CHARGES

Editor, THE MAGAZINE OF WALL STREET:

Sir—Your correspondent, G. W. W., who complains in the October 30, 1920, issue of the way interest charges are shown in so many brokers' statements hits the nail on the head.

A firm which would advertise that it sent monthly statements to all customers (as many firms fail to do) and that the statements show the rate of interest used as well as the number of days on which it is computed for each item would get many customers.—R. B. H.

"PAYABLE IN GOLD"

Editor, THE MAGAZINE OF WALL STREET:

Sir: I would very much like to see in your valuable paper an article on monetary standards in their relation to financial obligations, particularly to government and municipal bonds.

For instance:

The Argentine "£ Sterling" bonds are quoted at a discount in this country because they are payable in "£ Sterling" and not dollars.

Does not "£ Sterling" mean payable in gold—"gold bonds," as we use the term?

I suppose not, knowing that the English government will not allow the export of gold. Perhaps, not the payment.

Then "gold bonds" are a joke. In times of Sunshine O. K., but when paper money

depreciates they are "gold bonds" no longer. Am I right?

On what is the value of the various European monies based? The kronen, lire, etc. Are they based on a definite amount of gold, or any other substance? Or are they simply monies changeable in value according to the whims of legislative bodies?

I am sure many of your readers would appreciate an explanation of these matters.—K. R. F.

Payable in pounds sterling, lire, francs, marks, etc., does not necessarily mean payable in gold. There is nothing to prevent any government, in case of necessity, from issuing as many paper "dollars," or any other money unit, as it sees fit. The Russians and Poles have seen fit to issue a good many—so many that their money has become almost valueless.

In this country we have a considerable number of bonds which specify that they are to be paid in gold dollars. This was the result of the free silver agitation of the '90s. Some investors then became alarmed lest they should receive silver dollars in payment instead of gold—silver dollars being then worth intrinsically about half as much as gold. Even this device of specifying gold dollars did not save the investor, for, as we all know, the gold dollar will now buy only a little more

than half as much of most articles as it would in 1914.

The only way the buyer of a bond could be sure of getting back the same real value as he loaned, would be to make the bond payable in Professor Fisher's "market basket dollars"; but in that case, if general prices went down, so that the lender got back fewer gold dollars than he loaned, he would undoubtedly raise a howl compared with which the recent high-cost-of-living hubbub would sound like a faint whisper.—EDITOR.

INSURANCE AS COLLATERAL

Editor, THE MAGAZINE OF WALL STREET:

Sir: I know of no better way for a young man to lay a foundation for financial independence than to start early with life insurance, say a five-, ten- or twenty-thousand dollar twenty-payment life policy.

Every few years we have either a panic or a year of liquidation of securities from over-speculation or over-extension of credit or from a combination of causes. Our young man, now at the end of a liquidation period, borrows all the money he can on his insurance policy and invests it in good securities. These he holds until the proper distribution period, when he sells and pays off his insurance loan. He must with each cycle pay off his loan and patiently await his next opportunity.—F. W. P.

In THE MAGAZINE OF WALL STREET, September 4, 1920, appeared the following: "The greatest argument in favor of life insurance as an investment is its absolute safety. Life insurance never depreciates, which is more than we can say of other investments, even Government bonds. Also, there is the element of quick marketability, the surrender and loan value making it possible to convert into cash without delay."

In other words, as an investment or as collateral to permit of other investments, life insurance is in a class by itself.—EDITOR.

A BETTER WAY

Editor, THE MAGAZINE OF WALL STREET.

Sir: I have been offered a position as securities salesman by the _____ Corporation. I have never had any experience in salesmanship, but the firm claims they will soon teach me their system. Truth, honesty and loyalty, they claim, are their requirements of salesmen.

What I would like to know is this: Are the securities they sell "up to the mark"?

I might make a success of it if dealings are all square and fair, but will never succeed if they are crooked, and I should know whether they are or not as I couldn't make myself mean enough to separate people from their money and not give value in return.—P. M.

We do not believe you would find it profitable to accept the position of securities salesman for the corporation mentioned. It is a new enterprise, proposing to establish branch stores, selling goods of from 5c. to \$1 in price, and this is not a good time for the launching of such an enterprise. The stock you would be required to sell would be unseasoned and purely a speculative commitment, and not such as you could conscientiously recommend your friends and acquaintances to purchase at this time. The corporation may be honest enough, but, frankly, we do not consider its proposition good enough.

If you consider yourself a capable securities salesman, you would have no difficulty in making connections with the most reputable bond and stock concerns in the city, as they are always on the lookout for salesmen who can sell bonds and securities. In making connections with a reputable concern, you would be able to offer your customers securities that would have real intrinsic values.—EDITOR.

INVESTMENT ASSOCIATIONS

THE MAGAZINE OF WALL STREET for February 5, 1921, at page 509, states, in answer to a question in regard to investment associations:

"You can hire an attorney to conduct the matter for you, or you can employ a corporation to get your charter. The Corporation Trust Company of New York is a good medium, whose charges will be fair and whose advice is reliable. It will do all the work and maintain a New York office for a nominal sum, or an office in any state issuing the charter."

Since publication of the above it has been brought to our attention that the Corporation Trust Company will not, for

laymen, secure a corporate charter or give advice with reference to the organization of corporations, but that such a matter

must be taken up with their attorney, who may, if he desires, employ the services of the Corporation Trust Company.—EDITOR.

THE BOND MARKET

(Continued from page 527)

underwriting syndicate \$30,000,000 7½% first refunding mortgage sinking fund gold bonds. This company is an especially strong concern, and has shown a steady progress from year to year for a long period. The fertilizer industry is an essentially basic and stable one, and as the soil becomes exhausted by continued use, fertilizers must continue to be freely used in order to restore the fertility of the land. The present tendency is to use not only more fertilizer per acre on all crops, but also over a wider area.

The mortgage agreement is exceptionally well drawn and the maintenance of total mortgage debt not to exceed 75% of the value of the mortgaged property is conservative, and especially is this so when taken in conjunction with the "net assets" and "current assets" provisions.

The capitalization of the company is well balanced and the earning capacity exceptionally good, and the fact that the working capital will be in excess of the total funded debt by a wide margin gives added attraction. The tendency toward modern financing is to eliminate the old closed mortgage idea and allow the company to expand according to its needs and to fund a certain proportion of the value of the property (usually 80%, this issue is 5% on the conservative side).

Louisville & Nashville Equipments

Probably the most conservative type of railroad bond is the equipment bond. The test of strength of any bond issue is how it will fare under a reorganization, and there is probably no type of bond, not even excepting first mortgages, which has given so little trouble. The equipment bond is usually in serial form and the last of the issue matures before the life of the equipment is reached. These bonds are first lien on the rolling stock acquired thereunder and it is obvious that if the railroad goes into a receivership and fails to meet its equipment obligations, the trustee will take away that property. A railroad without equipment is of no use whatever, and as a consequence in the whole history of our railroads, the defaults on this type of bond in its present form do not amount to over two or three, and then only on certain very small roads, and even in these cases adjustments were made whereby the holders received a very equitable settlement.

A good illustration of this type is the recent Louisville & Nashville equipment 6½%, maturing from 1 to 15 years. This road is one of the most prosperous in the country, and its history and progress are most remarkable. The road makes a large cash payment on the equipment, so that the equity of this issue is large. Furthermore, as each serial issue is restored, the equity of the later issues increase.

The equipment is kept in constant repair, and is of standard gauge and design. While depreciation in equipment is fairly

large, it is not near as fast as the retirement by serial payments.

The Market Action of Bonds

A word as to the market action of bonds. The investor who tries to buy at the lowest price recorded by the market seldom profits. The minor fluctuations of the market are small when compared with the loss of income the prospective buyer loses by having his funds lying idle. The purchase and sale of bonds should be based on the great underlying and fundamental business and money conditions rather than on scalping a few points' profit, and whether an issue sags a few points or rises a few points after the bond has been purchased, should have no influence on the holder whatever. As a rule, you must either speculate with your money or invest it, since no dollar is big enough to invest both kinds of work at the same time.

JOHN J. PULLEYN ANALYZES THE RAILROAD LABOR PROBLEM

(Continued from page 520)

settlement of similar controversies anywhere else in the United States, not taking into consideration special and local conditions which might have a tendency to make the final settlement unreasonable and unjust, to say the least.

"During the war the railroads were willing to have labor disputes referred to the United States Railroad Administration, because the universal aim and impulse then was to win the war. That was the first consideration. But now that peace is here, it is scarcely right that a single authority should have the power to settle disputes between the companies and the employees.

"But a sane public sentiment will bring to bear such a tremendous force that an equitable adjustment will finally be made. This sentiment is potent if it is based on knowledge and tempered with justice.

"At this time we are all charged with an obligation of understanding and fair dealing. Any industry or trade or class that refuses now to assume its share of the burden of the present is standing in the way of progress, and if they persist in blocking the way, the strength of the inexorable economic law will assert itself to their undoing."

GERMAN CREDIT BODY FORMED

Announcement has been made of the organization of the Deutsche Waren-Treuhändler Aktiengesellschaft in Hamburg to aid in establishing credits and financing raw materials with which Germany may resume her manufacturing. The directors of the company, it is stated, include some of the leading business men in Germany.

Trade Tendencies

Prospects of Leading Industries as Seen by Our Trade Observer

As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

STEEL

Production Still Declining

PRODUCTION of pig iron in January was about 300,000 tons less than in the preceding month. Since the beginning of the year, the number of furnaces operating have been reduced by eighteen. It is quite apparent that the trend in pig iron production continues downward.

With regard to steel production, the independent interests report slightly increased operations since the close of last year. U. S. Steel Corporation operations however have slightly decreased. The independents are probably operating on a 30% capacity basis and the leading interest on an 85% basis.

The increase in independent operations is not significant enough as yet to warrant discussion. On the other hand, the decrease in U. S. Steel's operations is really an important development as it indicates a definite trend. The leading interest may be said to have already reached the peak of production and from now on its rate of production may be expected to decline continuously until there is a genuine business revival.

Action of the Midvale company in cutting prices on bars, shapes and plates from \$2-\$8 probably foreshadows an open or competitive market much more pronounced than the present one. Many of the smaller manufacturers have already shaded prices below those of the nominal market, which is approximately the same as the Industrial Board basis, but it is now thought that the larger interests, possibly not excluding the Steel Corporation itself, will follow suit, to some extent at least.

While the demand for steel in general will probably decline for some months, the demand for certain products is practically certain to increase from now on. Among such products are tubular goods. The demand for tubular goods should pick up by the middle of March. This is normally the season for oil-country buying and Texas should be in the market almost immediately with the northern districts coming in later. It is to be doubted, however, that the revival in this particular branch of the steel industry will necessitate capacity production on account of the slump in the oil industry.

Tin plate production is slowly increasing. Improvement here is practically certain with the approach of the canning season. Prices will probably not decline especially now that greater productive activity is assured.

The sheet-mills show slow improvement. The bulk of the business, however, is moving under the nominal market of

\$4.35 for black sheets, \$3.55 for blue annealed and \$5.70 for galvanized. Independent producers report somewhat greater activity but the leading interest's production of sheets is commencing to decline.

Demand for structural material is very quiet at present. Underlying conditions in

THE TREND

STEEL—Pig iron output smaller. Independent steel operations slightly increased. U. S. Steel operations decline. Midvale cuts prices beneath Industrial Board level. Greater competitive activity and further price reductions probable.

RAILROADS—Freight car loadings show big decline. Car surplus now 300,000. Earnings fall short of the Railway Transportation Act minimum. Trend continues downward.

BUILDING MATERIALS—Prices cut drastically and will probably not decline much further. Increased building activity in sight.

OIL—Crude prices cut further. Refined products weak. Exports fall off. Stocks increasing and demand declines. Outlook bearish.

COAL—Price deflation thorough. Production cut but is above demand. Contract prices will be above present spot but below last year's contract prices.

CHEMICALS—Highly unsettled. Prices still too high and reductions are probable. Demand for most products is smaller and markets are weak. Trend is downward.

TEXTILES—Activity slightly less than a month ago but general trend continues upward.

COPPER—Prices firmer and greater buying activity reported. Plans for export of surplus nearly completed. Broad outlook is favorable.

MOTORS—Production slowly increasing. Less unemployment. Makers of medium-priced cars doing better than the others.

TIRES—Sales are increasing but production only slightly so. Surplus tires gradually decreasing. Outlook improved.

SUMMARY—Trade situation is highly irregular, some industries doing better than others. On the whole, manufacturing activity is greater than at the beginning of the year. Sentiment has improved and the foundations are being laid for more stable business.

the building industry, however (See Building Materials), point to a resumption of activity in the near future although it is difficult to estimate the extent of the approaching activity.

Railroad buying has been sporadic although several roads are reported to be in the market for additional rolling stock.

(Continued on page 566)

\$100 and \$500 BONDS

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Robert C. Mayer & Co.

Investment Bankers

Equitable Bldg.

New York

Tel. Rector 6770

Report of a Conversation with a Prospective Associate Member of the Richard D. Wyckoff Analytical Staff

Question:

I have been much interested in reading your announcement of the organization of the Richard D. Wyckoff Analytical Staff, and would like to ask some questions about the detailed workings of your plan. First, I wish to ask why you evidently consider the investment of funds an engineering problem instead of, as it always has been, a matter to be decided according to the state of business, condition of the crops, money market, and other well known factors?

Answer:

All the factors which you have mentioned are taken into consideration when opinions are formed by the Executive Committee of our Staff, but not just in the way that Wall Street has heretofore considered them, this I will demonstrate to you later. I regard the selection of investment mediums as an engineering problem primarily because when you lay a foundation you must employ engineers. It has been Wall Street's practice to work from the top down, but I propose to work from the bottom up. Thousands of times every day you hear it said in Wall Street, "I think General Motors (or some other security) is a good purchase." What is back of this opinion? Very often it has no more basis than an impression of the speaker or the opinion of some other person passed along, or a rapid run through a few statistical files.

Q. In what way will your method of reaching a decision differ from this?

A. First of all, I shall employ engineers to do research work and to investigate both industries and properties because they have been trained in the scientific handling of such problems. Wall Street men have not.

Very few men associated with banking and brokerage houses have had this training and applied it to the problem of investment selection. The Wall Street man is apt to say, "The motor business is good, therefore buy General Motors." But the engineers connected with our Staff will begin at the point where they will study first, the industry as a whole (its past record especially) then its present condition; but—most important—what the indications are for the future. How many men in Wall Street are equipped to do this in an exhaustive way? That is why I propose to bring into Wall Street those who are thus qualified.

Q. What will be your next step?

A. An investigation of a certain industry is only one step in my plan. All industries represented by securities listed on the New York Exchange will be exhaustively examined—not as rapidly as can be done, but as thoroughly. It will then be another engineering problem to select those industries which show the greatest stability in earning power, and the most persistent growth and development. It is just like choosing a line of business; you would not select one that had too many ups and downs, but one

that made steady progress. In that case, the growth of the industry would carry you along through bad spots and lead to your ultimate success.

Q. But is it not likely that conditions in some of these industries which now look good may change?

A. It is likely, but we will, by deep and accurate analysis, be able to anticipate these changes, a certain number of which are so closely related to conditions in the security markets, that it might be said our judgment will rest on a double foundation—industrial and technical.

Q. How does your method differ from those who confine themselves to fundamental statistics?

A. The true fundamentalist is interested mainly in panics and booms. He wants to buy and sell every few years. This is all right in theory, but although I have been searching many years for those who have made large money by this means, I have yet to find the man or men well satisfied with the results. And I have discussed the matter with thousands of them. Their chief objection appears to be that one who waits for booms and panics loses a great many of the profitable movements up and down which occur in between extremes, and they are dissatisfied because they feel that they should be getting the benefit of these intermediate swings. You can see from my replies to your previous questions that our method differs greatly from those who merely attempt to judge tops and bottoms either by algebraic calculations or by reasoning out the future from the current (known) conditions. But more than ever do we differ when you consider our method of deciding when to buy and sell.

Q. How is this done?

A. Our judgment as to the time to buy and sell will be based not only on a study of the industries which make up the American industrial fabric, but upon the even more important factor known as the technical position of (1) the security market as a whole, (2) the various groups of securities, (3) the individual stocks or bonds under consideration. Without a knowledge of this subject, which is the keystone of any arch which protects the investor, I would never have undertaken the organization of this Staff. And unless these two great factors of industrial and technical conditions are properly co-ordinated, my method would be no more effective than the many attempts which others have made to solve this problem for the American investor.

Q. Why do you lay so much stress on the technical position?

A. Because while I have spent nearly a third of a century in Wall Street, it took me twenty years to find out the true principle which governs stock market fluctuations and that crops, money, earnings, etc., were merely some of the many



RICHARD D. WYCKOFF

influences that led investors and speculators to buy and sell. It was these *variations* in the *volume*, or the *intensity* of the buying and selling orders that made the fluctuations; therefore, the best foundation for accurate market judgment proved to be a knowledge and a continuous study of the technical position which, in plain language is the Supply and Demand. This is the *real* fundamental. Others so called, are not fundamentals but merely contributory factors.

Q. Then do I understand correctly that your decisions are made in the following order? (1) In which industry? (2) In which security of that industry? (3) When the purchase should be made?

A. You have a partial list. We go further by deciding not only the above points, but when to sell after the securities are bought. We watch those issues which we have selected, and the industries which they represent, in order to observe whether they are keeping up to our requirements. We also watch the other industries that have not come up to our standard, in order to observe when they do, if that should happen. In all lines there is a constant shifting toward better or worse conditions, and it is our business to pay close attention to developments which might bring a new field of industry into the limelight with its accompanying investment opportunities. Remember that the automobile industry is a development of only recent years. Not long ago the oil business was largely centered in a few hands. There have been great money-making opportunities in these two lines, but other industries will come to the front places as the country continues to increase in population and industrial breadth and activity.

Q. You refer to a proper distribution of risk. What provision have you made for this?

A. We will make a division of our risk by limiting the amount to be invested in any one security, always keeping a certain amount available for purchasing at times which we judge to be opportune. The decision to operate thus has been arrived at after buying and, as scientists would say, isolating one of the great causes of loss in the investment field. I refer to the tendency of investors, operating on their own judgment, to spread their commitments irregularly over a large number of issues, the amount of some being five or ten times larger than others. It is just as unscientific to do this as it would be for a merchant to greatly overload on a few lines of goods and under-supply some others. The security market being more subject to change than any other, because it is influenced by world conditions, it is likely that these inordinately large commitments may be the ones which will show the greatest shrinkage in an adverse period. In fact, our study of the methods employed by

many thousands of investors has led us to believe that such is often the case. People who operate on their own judgment and without any science or training to guide them, seem to be prompted by the same psychology that leads them astray in so many different fields.

Q. Will not your Associate Members who live at distant points be under somewhat of a handicap?

A. Not at all. Advices which require action will, if urgent, be sent by telegraph (collect), thus placing a distant member on the same basis of time as those who can be reached promptly by mail. As we are not desirous of trading actively, but aim to make our capital grow steadily, our principal commitments will be made at such intervals that no nervous tension or constant watching of the market will be necessary, so far as our principal operations are concerned. Our Investment Business Service will also be supplied to Associate Members without additional charge, and this will keep them posted as to the trend of security prices, and the changes in the technical position of the various groups.

Q. How often will your advices be issued to Associate Members?

A. As frequently as we have definite advices to transmit. There will be no regular date of issue, but our investigations will proceed simultaneously in the various fields and the decisions which result will be transmitted to members in such a way that they can observe the progress of the work. As soon as positive conclusions and advices are to be given, these will be forwarded promptly.

Q. You have spoken of "marking down the cost": How will this be done?

A. According to a certain method which for many years has been employed by many of the largest operators and the greatest financiers in the Street. This method I have adapted to the requirements of the Associate Members of the Richard D. Wyckoff Analytical Staff, and I believe that the results will in the long run greatly exceed those obtainable by use of ordinary buying and selling methods. What is more important, this plan will promote mental and financial comfort. It will do away with the close watching of the security market; it will enable Associate Members to attend to their own business affairs without being concerned about their holdings. The method involves a marking-down of the cost by applying profits on a part of the line. I cannot explain it here in detail, but it is the nearest thing to amortization (paying back the cost) that has been evolved for the benefit of that part of the American investing public which will be represented by the Associate Members of our Analytical Staff.

If you are not satisfied with the results of your own judgment, write

THE RICHARD D. WYCKOFF ANALYTICAL STAFF
FORTY-TWO BROADWAY, NEW YORK



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The railroads of this country derive about 70% of their revenue from freight traffic.

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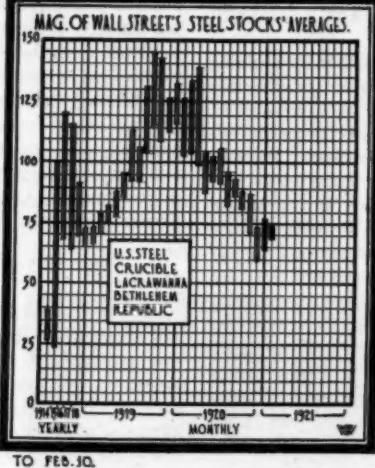
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TRADE TENDENCIES

(Continued from page 563)

The movement, however, has not become general yet owing to the uncertain financial condition of the carriers. There is no doubt, were other conditions equal, that the railroads would acquire more equipment as prices are now particularly attractive.

The most disquieting element in the steel situation, in general, is the slow-down in

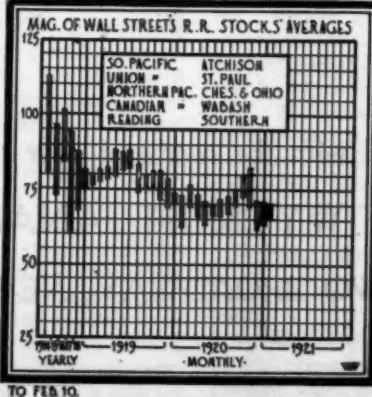


exports. The plain fact of the situation is that under present conditions we cannot compete with the European interests and the chances are the American manufacturers will have to contend with this handicap for a considerable period.

RAILROADS

Slump in Traffic

THE decline in railroad traffic since October has been of tremendous proportions. October is normally the best month of the year for the carriers and in October last the average number of freight cars loaded weekly amounted to about 1,000,000. Since then traffic has declined practically continuously so that in January, average weekly car loadings amounted

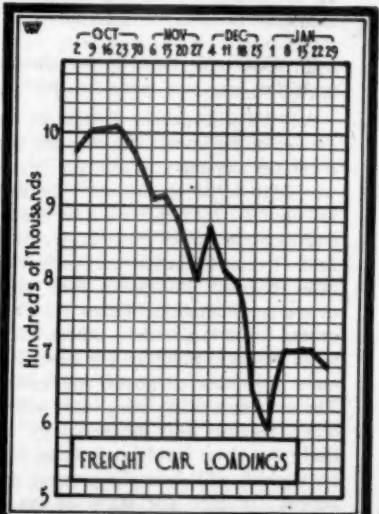


traffic declines about 10% from October to the end of January. The difference of 20%, therefore, represents the results of the industrial slump and the agricultural crisis.

Incidentally, the surplus of unused cars has risen to above 300,000 as compared with a shortage of over 100,000 cars last August. This in itself illustrates the striking change which has come over the railroad situation in the past few months.

Reasons for the slump in traffic are by this time quite familiar to the public. The industrial depression is in part accountable and, of course, the refusal of the farmers to move their crops on account of low prices was a very considerable factor. Crops, however, must be moved sooner or later. In fact, there has been in the past two or three weeks a very decided movement of agricultural products and this movement can be depended on to continue until the end of the spring months.

January earnings are not available as yet, but the decline in traffic indicates a decline in gross that should be of considerable proportions. Net earnings, of course, will be reduced but not as much as would ordinarily be expected on account of the savings incurred by reduc-



tion of labor forces and the reduction of maintenance accounts. Also, the mild winter weather has saved the railroads considerable amounts which would otherwise have been expended in order to keep traffic unimpeded.

The carriers, naturally, are not producing successful results. As a whole they are falling short of the minimum 5½% supposed to have been guaranteed by the Railway Transportation Act. Nor does the outlook for the next month or two suggest the possibility of an improvement. In fact, the reverse is more probable.

Chief interest, aside from the decline in traffic and earnings, is centered on the labor question. A very determined effort on the part of the railway executives is being made with regard to compelling

to less than 700,000. This represents a decline somewhat above 30%. Normally

abrogation of the national agreement. Labor spokesmen deny the necessity of such action with its implications by way of wage reductions. The situation is still in *status quo* and a very disagreeable result is bound to result if the national agreement is declared void. It is to be doubted that the railroads can induce labor to accept a lower wage schedule until living costs have declined further. Any attempt to force such reductions without the consent of the labor authorities would result in a serious situation.

BUILDING MATERIALS

Increased Activity in Sight

SINCE the period of greatest activity in the early months of 1920, building operations have decreased about 55%. Co-incident with this drop in activity, building materials have steadily declined until, on the average, they are on about the level of average 1919 prices. In other words, they have lost all their gains of 1920.

Underlying conditions in the building industry point to an almost immediate revival of activity and there are reasons to believe that there will be more building, especially for housing, this year than for several years. The principal reason for this conclusion, aside from the need for additional housing, is that building materials in most instances are now about as low as they can reasonably be expected to go. This is a fact which is readily acknowledged by most building experts.

Since last summer there have been some important changes in the prices of building materials. Two of the most conspicuous declines have been in cement and common brick. These are the leading staples used in this industry. Dealers' prices for Portland cement are now quoted at \$3.10 a barrel net, comparing with prices of \$5.00 a barrel last summer and \$3.25, the 1919 price. Common brick is quoted at \$16 a thousand comparing with \$30 a thousand last summer and \$15 a thousand in 1919. There have also been declines in many other products used in building construction. Among the most conspicuous of these is yellow pine which has declined to about 10% above 1913 prices.

That prices will go much lower this year is to be doubted. While they are still above pre-war levels, there are several items with regard to cost of production which are permanently higher and which make it impossible to get prices back to the old level. These items are transportation and labor, neither one of which is likely to come down in the near future. Building interests who figure on still lower prices for building materials should take into consideration changed conditions.

It is generally claimed that there is a housing shortage. Estimates vary widely. Among those in close touch with the situation it is privately agreed that the "shortage" has been much overdone and that while there is undoubtedly need for additional housing facilities in most parts of the country, it is not nearly as great as was thought last year. Nevertheless,

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need is large enough to result in a more than usually active year.

The decline in building materials naturally removes a great barrier in the way of increased building operations. It is now to be seen what will be done with regard to money rates. It is well known that builders have found it difficult to get money with which to carry on their operations and then only at high rates. It is obvious that if the building program for the year is to be a more complete success that money rates will have to come down to a more equitable level. This is a matter for the large lending interests to decide, and it is believed that they will co-operate to a satisfactory extent.

Consumers, noting the situation, are deliberately staying out of the market, consuming their surplus stocks rather than going into the market for new stocks, as would ordinarily be the case. In this manner, they hope to force the larger dealers to make further price concessions. It is evident that the market is a buyer's affair.

Fuel oil is depressed. Supplies are increasing rapidly as demand falls off, and offerings are plentiful at nominal prices. Gas oil is in about the same position as fuel oil and further price cuts are expected shortly. Bunker oil is not being bought in large volumes owing to the shipping situation. Also the drop in demand for bunker oil is the indirect result of the decline in coal prices.

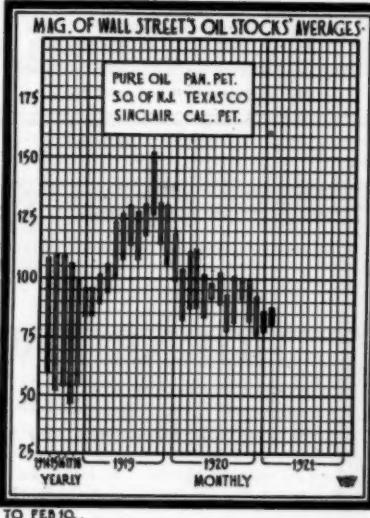
Exports are falling and the market is very weak. Prices have been cut without attracting new business and the trend in this particular branch is definitely downward. Not much hope is held out for the immediate future.

It is claimed by some that prices will come back by spring or early summer at the latest. There can be no doubt that demand will be on the increase by that time. It must be remembered, however, that stocks are exceptionally large now and that even when demand does improve it is hardly likely to be as large as that of last year. Unless production should be cut radically, it is difficult to see how the statistical position of oil can be improved. The chances are, therefore, that prices will remain near these lower levels for a longer period than is generally supposed.

OIL

Price Cutting in Full Swing

APPARENTLY crude oil prices have not yet touched bottom, for new instances of price-cutting are being reported daily. Never before have crude oil prices been cut so deeply within so short a period. A good example is Mid-continent crude. This leading standard sold, at \$3.50 on January 25. By February 9, it



had been cut to \$1.70, a reduction of over 50%. Gulf Coast oil, which supplies a great part of the lubricating oil now used, dropped in about the same period from \$3.00 to \$1.50. Probably no other commodity dropped so far in so short a period as crude oil.

It is to be doubted that refined products have touched bottom. There have been some reductions of late, particularly in gasoline and kerosene, but these reductions have not resulted in new buying. Large stocks have piled up and many interests, notably the small refiners, are in difficulties. These people are compelled to dispose of their products at sacrifice prices. Under the circumstances, an open market is produced and this should result in further cuts.

The fact that the smaller refiners are attempting to liquidate their stocks at lower prices will probably have some effect on the larger interests. Important

COAL

Buyers Dominate the Situation

CONDITIONS in the bituminous coal trade continue unfavorable. The market is dull and buying has dwindled to such small proportions that it is becoming increasingly difficult to quote prices. Spot prices are now only slightly above the average Government price fixed during the war. Inasmuch as cost of production has increased since that period, it may be presumed that soft coal is being sold today at prices which mean a loss to the producing interests. This probably does not apply with such force to the larger producers but there is no question about its applying to the smaller operators. In fact, many of these operators have been forced out of business by the decline.

A direct result of the drop in soft coal prices has been the curtailment of production. Each week since the middle of December has seen a successive decline in production. The amount of bituminous coal now being mined weekly is about 20% less than that mined in the best weeks of 1920.

Notwithstanding this radical decline in production, it still exceeds consumption. Users of coal have adequate stocks on hand and intend to consume these more fully before entering the market to replenish their stocks. The known large surplus, above the present rate of consumption, indicates that it will require a considerable period to absorb a sufficient amount of such stocks before a revival in demand

will materialize. The industrial revival has not measured up to expectations thus far and delay in such improvement naturally holds back the coal industry.

Spot buying for export account has practically disappeared in the past few weeks. While ocean freight rates are very much lower and in fact attractive enough to induce export buying of coal under ordinary conditions, the fact that Europe has supplied herself with an adequate amount of the commodity interferes with a resumption of the buying movement. It cannot be said that the immediate outlook for export buying is promising.

There is no clue as to what extent contract prices will be revised when contract arrangements are made next April. That these prices will be considerably lower than those of last spring is certain. It is to be doubted, however, that they will approximate current spot prices, on account of the loss that would be involved to producers in transactions on such a basis.

The anthracite market is practically unchanged. While several small downward revisions have been reported in the Pittsburgh district, the general price level remains at its highest. The close of the winter season should undoubtedly cause a decline in demand and consequently a decline in prices. This commodity is one of the few important ones which have thus far held up, and it is not to be expected that it can resist the general tendency toward lower prices indefinitely.

With regard to bituminous prices, it is obvious that prices are as low as they can be expected to go. With Pittsburgh steam coal selling at about \$2 a ton, prices are actually not far above the 1914 level, and considering the permanently higher costs of operation, such as labor, for example, it would appear that operation cannot be profitably carried on on such a basis. The bottom in this market seems to have been reached.

CHEMICALS

Readjustment Not Completed

THE drug, chemical and dyestuff markets betray extreme sensitiveness from day to day. Prices immediately reflect fluctuations in demand. Both increased and decreased demand speedily find their reflection in quotations. On the whole, business is dull and the tendency noticeably continues downward. The industrial chemical and natural dyestuff groups are particularly weak.

In contrast with business of a few weeks ago, when a recovery seemed imminent, values are now falling off faster than at any time since the beginning of the year. This is not a remarkable development, under the circumstances, as the chemical industry, in particular, has not yet conformed to other industries in regard to prices. A glance at the attached table will show that prices are still much higher than the 1914 level. It is evident that chemicals must readjust themselves further.

Dyestuffs are not in such an unfavorable condition, although the present trend is toward lower prices. Natural dyes have

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declined from 129% above 1914 prices to 34% above, indicating that so far as price is concerned, deflation has been thorough. The intermediates, however, are still too high, selling at about 174% above 1914 prices. It is generally believed that there is little prospect of real business in these groups for several months.

Drug products have had a very big decline but in some instances are still selling at considerably higher prices than those that prevailed before the war. Business in drugs is very dull at the moment. While pressure to sell is not so strong as in the first weeks of December, there is still

Following the decline in cotton, the cotton goods market became unsettled and prices reacted back to nearly the lowest. Demand quieted down and an attitude of more or less uncertainty seems to prevail again. The decline in cotton, however, is not entirely unfavorable as it gives the manufacturer an opportunity to secure the product at a considerably lower price than seemed possible a month or so ago.

The silk industry is in a better position than for some time. Statistically, raw silk is strong and this justifies the firm prices now being maintained. Imports are only about half of that of a year ago and stocks both here and abroad are not too plentiful. The silk show which recently took place is said to have resulted in greater retail interest and in some actual business. The outlook for the trade is gradual improvement along conservative lines. In this connection, it is worth remarking that the silk industry has been dormant for almost a year and that a revival is shortly due is nothing remarkable, under the circumstances.

The woolen trade is still in the doldrums. Action has yet to be taken on the 1921 fall season. This has already been delayed nearly two months and it is not probable that activity will commence until after the beginning of March. After that, it is believed that manufacturing activity will steadily broaden.

An encouraging feature in this trade is the determined attitude of all interests to move their stocks almost regardless of price. Public interest has been sufficiently aroused by this maneuver to warrant the belief that the accumulation of old stock will at least be partially worked off in the near future.

While conditions in the textile trade, in general, are not yet all that could be desired it is obvious that considerable headway has been made. It is true that the current reaction is rather pronounced but it is not believed that this condition is anything but temporary. The broad outlook is for a gradual recovery and all fundamental considerations point to such a conclusion.

TEXTILES

Activity Slightly Lessened

THE revival of activity which took place in the textile trades during the early part of January has been superseded by a period of comparative quiet. This, however, is a natural reaction from the rather exciting activity which predominated in the earlier period. Textile interests are now disposed to view the situation a bit more conservatively and while they are confident as to the ultimate outcome, business policy dictates that they now proceed cautiously.

There are various reasons for the reaction. The severe decline in the primary cotton market is partly responsible. In addition, there is the fact that goods have not been moving as fast as was hoped would be the case. Buying activity is limited to buying for immediate needs and then only when prices are low enough. It is seemingly impossible to induce retailers to commit themselves above their known immediate requirements. In a market of this sort, no chances are being taken by any interests.

A PROMISING WATER-POWER COMPANY

(Continued from page 555)

pany appear to be good speculative investments, although neither of them could be classed as pure investments, due not only to the large percentage of total capitalization represented by the bonds and the preferred stock, but also to the present financial condition of the company and the large amount of construction work which will have to be done to develop its properties.

The industrial expansion in the district served has continued in a gratifying manner. Several new plants, requiring large blocks of power, are nearing completion in the different municipalities served by the company, and will shortly be added to the list of customers.

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ANSWERS TO INQUIRIES

(Continued from page 547)

around 75. By doing this you would have the same income on a very much smaller investment and some money in hand through the sale of U. S. Steel Preferred. You could buy more of the new preferred issues we recommend with the surplus. The two latter have a far lower rating than Steel preferred.

We would suggest that you switch New York, Ontario & Western into Columbia Graphophone, selling around 10 3/4-11, also paying \$1 in dividends, but selling about six points lower than Ontario & Western. You could, of course, purchase a greater number of shares with the same amount of money.

FOREIGN TRADE FINANCING CORPORATION Its Prospects

Foreign Trade Financing Corporation's status is not sufficiently defined just at this time to permit us to express an opinion that would be of value to you in guiding your decision as to whether or not to make an investment in the shares of the company. Its sponsors are certainly of the highest class, but an opinion at this time by us as to its prospects as an investment would be rather premature, and we would suggest that you communicate with us later on regarding this proposition, when developments have been sufficiently advanced to warrant our forming better judgment as to its value. We shall doubtless have more to say about it in these columns later on.

ISLAND OIL COMPANY Earnings from Marketing

While the Island Oil Company has lost some of its production recently, and in this respect has been unfortunate, still earnings from its refineries, pipe lines, etc., have been good, and for 1920 gross earnings are estimated at \$7,000,000 gross. The company is actively engaged in development work, and it is not anticipated the loss of two of its important producing wells will seriously affect its earnings permanently, as its business is sufficiently diversified to withstand a temporary setback in production.

PIERCE-ARROW

Discounts Adverse Factors

Regarding Piece-Arrow.—Like practically all automobile manufacturing concerns, the business of this company showed a heavy falling off in the last six months of 1920, which became more pronounced as the year drew to a close. Earnings of the company for 1920, after payment of preferred dividends, were equal to \$3.88 a share on the common stock. Operations at present are said to be on a 50% capacity basis and some slight improvement in the demand for passenger cars is reported. The company is in a good liquid position, but since the first of the year considerable improvement in the market price of these securities has occurred which would seem to have discounted pretty well any immediate change for the better that may occur

in the automobile trade. It would seem to be a fair speculative purchase. Action on the preferred dividend will be taken this month, and there is some question as to whether the directors will deem it wise to declare the regular quarterly rate of \$2, though it is expected they will.

HARE MOTORS

Constituent Companies

The Locomobile Motor Company, with the Mercer Motors Company, Simplex and Kelly-Springfield Motor Truck Company, is now part of the Hare Motors, Incorporated. As a result of its absorption, no statements of earnings have been published recently. Some time ago it was said an exchange of Hare Motors stock for that of the companies absorbed would be made, but since then no announcement has been forthcoming as to when and how it would be done. Probably the condition of the automobile industry has caused a temporary delay in the consummation of this plan.

WICKWIRE SPENCER STEEL

Its Status

Regarding Wickwire Spencer Steel.—The only effect an additional issue of 25,000 shares (\$100) 8% preferred stock will have on the original issue will be, inasmuch as the new stock is to have the identical status of the old, that, in the event of liquidation the assets of the company available for liquidation of the preference shares would be reduced by \$2,500,000 and the company's dividend obligations on the preferred issue will be increased from \$600,000 to \$800,000 annually. From the last figures available the company's inventory appears to be high, and it is possible part of the money to be raised will be for the purpose of reducing this item. Should this surmise be incorrect and the net funds be used for additional working capital or plant improvement, the old preferred stock would be benefited accordingly. In any circumstances, the company appears to be in a healthy condition, and its recent earnings are sufficiently good to warrant the opinion that an extra annual payment of \$200,000 in preferred dividends can be readily cared for without in any way jeopardizing the payment of the 8% on the preferred shares. There is a fair market for the stock, and at this writing it is quoted at 90 bid, 95 asked. We know of no reason why you should sell your holdings.

MISSOURI, KANSAS & TEXAS

Not Very Attractive

As a holder of Missouri, Kansas & Texas securities, you are, no doubt, fully acquainted with the financial difficulties of that road, and that the outlook for any fair return by holders of the various bonds and stocks, when the reorganization is completed, is doubtful. We would suggest that the 2d 4s be sold and the funds reinvested in Hudson & Manhattan refunding 5s, which are selling around 63.

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**Assessed valuation for taxation in 1919.....\$1,523,746,929
Total bonded debt, including the above issues. 6,543,000
Population in 1920.....645,720**

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PEORIA & EASTERN

Income 4s Not Favored

As to the Peoria & Eastern income 4s, they have paid no interest since 1913. In the present rail situation we can see no indication that the dividends on these bonds will be resumed in the near future. We would suggest a switch from this issue into Gulf, Mobile & Northern preferred, selling around 21. This stock, at the present time, is not paying any dividend, but it is well secured, as the road has no bonded indebtedness. Without having to pay any heavy fixed charges, as do other railroads, when the readjustment in the rail situation has been effected, this road should be in a good position and its securities should sell much higher than their present market value. Also, the proposed merger with the Chicago & Eastern Illinois, if consummated, would give to Gulf Mobile stockholders securities that would insure them a good profit.

FISKE & COMPANY, INC.

Prosperous Brick Co.

Fiske & Company, Inc., was established 50 years ago as selling agents for manufacturers of fire brick, terra cotta and other building materials, and is now the third largest producer of "face-brick" in the United States, operating three plants at Darlington, Ridgeway and Watsonville, Pa., which have a total capacity of 28,000,000 standard brick equivalent per year.

The Ridgeway factory produces the well-known "Tapestry" brick, and its latest product "fisklock" is extensively used by contractors and by the government.

The volume of business in 1919 totaled \$662,000 and net earnings were more than three times the 8% dividend requirements. The company has a capital stock of 10,000 shares of common of no par value, and \$1,000,000 8% cumulative preferred, par value \$100, of which \$425,000 is outstanding. The first offering of this preferred stock was in July, 1920, when it was offered at par with a bonus of 20% in common stock.

In considering the earnings for 1919, it must be taken into consideration that these were virtually made under exceptionally favorable conditions for an industry of this character, due to war and post-war conditions. While we believe the brick manufacturers and building material producers have a prosperous future before them, we do not believe they will be able to make the same ratio of profits as they have in the past few years. The earnings for 1920 have not as yet been published, so that we cannot give you an estimate relative to what these figures are.

AMERICAN EXPRESS

Switch to General Electric

We believe your idea of switching from American Express into General Electric is a good one. We consider the latter

THE MAGAZINE OF WALL STREET

stock the stronger of the two, and believe in any very strong market General Electric will be likely to sell much higher than American Express.

BANK STOCKS Three Selections

While we are not in a position to advise you as to the possibilities of any of the banks or trust companies increasing their capital stock and stockholders thereby receiving subscription rights, we feel that the element of safety and yield that you desire will be found in the stocks of the Guaranty Trust Company, paying 20% dividends; the Equitable Trust, paying 20%, and the Irving National Bank, paying 12%.

THREE RAILS

Two in Strong Position

St. Louis & San Francisco is one of the few roads the earnings of which have been satisfactory, and for which the future outlook is excellent. The speculative opportunities in both issues of stock are good, and with the management putting earnings back into the property the intrinsic value of the preferred is growing steadily. Gulf Mobile & Northern has no funded debt, and in this respect is better off than most transportation lines. The company's earnings are good, and its prospects for the long pull are sufficiently bright to warrant purchases around prevailing quotations. Instead of buying Minneapolis & St. Louis we suggest a purchase of Columbia Graphophone, selling for about the same price and paying fair dividends, and which we believe, when the general market moves upward, will enjoy a material advance.

THREE PREFERRED STOCKS

A purchase of Goodrich preferred around \$75, we believe, will eventually turn out a safe and a profitable investment. Allis-Chalmers Preferred, paying 7%, and General Motors 7% Debentures are likewise good preference securities, that are attractive.

GERMAN HELD SECURITIES

Status Uncertain

The status of "German held" bonds of any country that was at war with Germany is uncertain at this time. The whole question as to the disposition of these securities as to principal and interest is in the hands of the Reparations Commission and that body has as yet made no decision and given no indication as to its possible action. One exception to this situation is to Japanese bonds. These bonds can be dealt in with assurance that the title to the same is valid. A special question has been raised as to the interest on Chinese bonds and dividends on Canadian Pacific stock, but the decision as to this point is also in abeyance.

Under these circumstances, we believe it would be unwise for you to make purchases of any "German held" securities of governments or corporations as specified above. Such a purchase would merely be a gamble as to what the action of the Reparations Commission would be in the matter. No doubt the price these secur-

ties are offered at in Germany appears attractive, but the position of the investor would be too insecure to warrant a purchase.

INVINCIBLE OIL

Present Status and Prospects

Invincible Oil Corporation is a holding company owning all of the Louisiana Oil & Refining Corporation, about 95% of the Gladstone Oil and Refining Company, and one-half of the stock of the Arkansas Invincible Oil Corporation. The Louisiana Oil & Refining Corporation (of which the Invincible Oil Corporation owns about 93%) in turn owns all of the stock of the Montrose Oil Refining Company and of the Louisiana Oil Exporting Company, and one-half of the stock of the Arkansas Invincible Oil Corporation.

The combined production as of December 15, 1920, was 6,105 45/100 barrels per day from 309 wells. Since that date approximately 1,500 barrels have been added to this production. Of the above production, less than 1,000 barrels is flush production and the balance is considered by the company's field men to be settled production. The combined companies own a 5,000-barrel capacity refinery at Shreveport, La., and a 4,000-barrel capacity refinery at Fort Worth, Texas, both of which refineries are operating at full capacity.

The company is at present drilling about fifteen wells, which are in various stages of completion and which, with the exception of about four, are in more or less proven territory.

One of the subsidiaries above referred to owns an export station at Port Chalmette (New Orleans), with steel storage capacity of 100,000 barrels. The combined companies have more than 900,000 barrels of other storage capacity, has adequate siding, loading racks, etc., and operates its own pipe line from the Homer Field to Shreveport, approximately thirty-six miles, and has its own gathering lines in the Cement Walters fields in Oklahoma.

The company owns approximately 900 tank cars. It owns either in fee or has leases on the customary royalty basis, on approximately 100,000 acres of land located in the States of Arkansas, Louisiana, Oklahoma and Texas, of which a considerable amount is proven territory. That is, territory adjacent to wells which have been brought in either by the Invincible Oil Corporation or by other companies.

Its balance sheet of November 30, 1920, shows net profits from production of \$7,421,103.76; profit on sale of crude oil, \$290,022.52; profit on refining and trading, \$1,384,850.58; and from other operations, \$72,310.63; making a total of \$9,168,287.49 from January 1, 1920, to November 30, 1920. From this must be deducted general expenses, interest and discount paid, etc., of \$1,645,838.89; leaving the net income before provision for depreciation, depletion, etc., for the period aforesaid, \$7,522,448.60.

The corporation has outstanding 370,000 shares of stock of the par value of \$50, and the item of good will shown upon its balance sheet is the difference between the price of which the company's properties are being carried on its books and the par value of its stock. At the time the company was incorporated these assets

Investment Suggestions

Before reaching a decision as to what investment best meets your requirements it is helpful to have a list comprising a few selected issues among the bond issues of

Railroads Public Utilities Industrial Companies Foreign Governments

Such a selection is given in our List No. W 120, which we shall be glad to send you.

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were much less than they are at the present time, its production at that time having been much less than at the present time. It had one refinery with 2,500 barrels capacity; about 300 tank cars; no pipe line; very little storage capacity. Its assets have not been written up. The corporation is carefully managed by men of experience in the oil business, all of whom are heavily interested and are devoting to it their time and attention.

EFFECT OF DECLINING OIL PRICES

(Continued from page 560)

critical period at the present time. The great majority of new oil companies which have been formed in the last few years have had their hands full trying to make a good showing upon their capitalization under the most prosperous conditions ever prevailing in the industry.

With crude oil prices cut in half the average producer will find it very difficult to operate and it is doubtful if present prices will cover the operating expenses of most of these companies. The independent refiner can now buy his raw material much cheaper, but has suddenly found that the bottom has dropped out of the market for its products.

Consolidations Appear Likely

The next few months are likely to witness the consolidation and sale of numerous properties and it will probably be found that the big companies will be more strongly entrenched in the industry than they have ever been before. On the other hand, the smaller companies which can weather present conditions should be able to easily continue operations under the more favorable conditions which are likely to exist later in the year.

In view of present developments it is likely that domestic production of oil this year will be considerably less than in 1920. Under the stimulus of higher prices, production last year increased over 65,000,000 barrels. It seems likely that last year's production of 443,000,000 barrels will stand as a record for some time to come.

All new operations in the oil fields have been radically curtailed and in most instances it will be found that the companies are only starting wells which they are forced to drill in order to hold their leases. The effect of this action is not immediately apparent, as wells are now coming in which were started six months and a year ago, but about the middle of next summer the bulk of the wells which would ordinarily be started about this time should be coming in.

It is, therefore, likely that during the summer there will be a sharp drop in production when it is most needed. It is, of course, impossible to say whether this will result in another jump in prices, but it would at least seem likely that there should be some increase later in the year.

There is no question but what the present curtailment of activities in the industry will have a stabilizing effect and that ultimately it should prove to the advantage of all of the substantial companies.

Investors Should Discriminate

From an investment standpoint, therefore, it would seem well for the investor to carefully study the standing of the various companies with the object of investing in the securities of the most strongly entrenched companies, especially if these securities should decline as a result of selling caused by current news developments. In most cases it will be found that the return on these securities on the basis of present dividends is comparatively small, but it has been the experience of investors in securities of this character that over a period of years the return on their original investment has been a liberal one and that they have derived a substantial appreciation in the value of their investment.

Securities in the Standard Oil group which are especially worthy of consideration at the present time are Standard Oil Company of Indiana, Standard Oil of New Jersey, Standard Oil of New York, Standard Oil of California, Atlantic Refining Company, Vacuum Oil Company and Imperial Oil, Ltd.

Among the refiners and marketers and Prairie Oil & Gas Company, Ohio Oil Company and South Penn Oil Company in the producing group.

Among the companies not included in the Standard Oil group to which special attention should be directed, are Gulf Oil Corporation, Texas Company, Union Oil Company of California and Midwest Refining Company.

This, of course, does not include all the securities which are desirable investments with attractive possibilities, but is a representative list and the investor who purchases these stocks under present conditions is likely to derive a very good return within the next few years.

MOTOR INDUSTRY RECOVERING

(Continued from page 540)

events of the coming year, if predictions may be called in order, one might state that in general the automobile business has started on an upward trend, which should continue upward until it strikes its level about April 15. From this time on, production ought to run 60% of normal, which is sufficient to pay dividends and keep employed the bulk of men and plants in the industry. There are some concerns which are going to forge ahead rapidly during the year and to assume positions of leadership which have been denied them during the time when other concerns producing heavily were more successful. Ford, Willys-Overland and Chevrolet, the heaviest producers in previous years, are all experiencing a shut-down or slump at the present time. This is also true of Dodge, which is not yet in production. This slow-down may afford the opportunity for new leaders in production to spring to the front. This angle on the situation affords an interesting phase and study of the industry and should be watched closely by people dealing with automobile securities during the year of 1921.

BOND BUYERS' GUIDE

THIS table includes many of the active bonds listed on the New York Stock Exchange. They are classified but not necessarily recommended. An endeavor has been made to arrange them in the order of desirability as investments, based upon security of principal and income return. The arrangement below attempts to balance these two factors. This table appears in every other issue of The Magazine of Wall Street.

Foreign Government Bonds

Belgian, 7½%, 1945.....	97	7.80
Japan, 4%, 1931 (par \$974).....	61¾	9.75
Japan, 1st 4½%, 1925 (par \$974).....	81	9.50
Japan, 2nd 4½%, 1925 (par \$974).....	81	9.30
U. K., Gt. B. & I. 5½%, Nov., 1922.....	95%	8.00
Paris 6s, Oct. 15, 1921.....	96	10.20
U. K., Gt. B. & I. 5½%, 1929.....	88½	7.25
French Cities 6s, 1934.....	83	8.05
U. K., Gt. B. & I. 5½%, 1937.....	86½	6.90
Dom. Canada 5s, April, 1921.....	99½	6.00
Dom. Canada 5s, April, 1926.....	89	7.30
Dom. Canada 5s, April, 1931.....	87½	6.60
Dom. Canada 5½%, Aug., 1929.....	90½	6.95
U. K., Gt. B. & I. 5½%, Nov., 1921.....	99½	6.30
Dom. Canada, 5½%, Aug., 1921.....	99	7.60

Industrial Bonds

Midvale Steel 5s, 1936.....	76	7.60
†Va.-Car. Chem. 1st 5s, 1923.....	93	7.70
†Chile Copper 7s, 1923.....	94½	9.10
†Colorado Ind. 5s, 1934.....	63½	9.90
†Wilson & Co., conv. 6s, 1928.....	86	8.40
†Chile Copper 6s, 1932.....	73	9.90
†Western Electric 1st 5s, 1922.....	95	7.75
†Amer. Cotton Oil Deb. 5s, 1931.....	75	8.50
†Int. Mer. Marine 6s, 1941.....	81½	7.80
†Braden Copper 6s, 1931.....	84½	8.15
†Central Leather 5s, 1925.....	91	7.20
†Beth. Steel Ext. 5s, 1926.....	89	7.30
†Wilson & Co. 6s, 1941.....	89½	7.00
†Beth. Steel Ref. 5s, 1942.....	83½	6.40
†U. S. Rubber 5s, 1947.....	78	6.80
†Col. Fuel & I. 5s, 1943.....	78	6.95
†Amer. Smeltl. & Ref. 5s, 1947.....	78	6.80
†Armour R. E. 4½%, 1939.....	80	6.35
†Rep. I. & Steel 5s, 1940.....	86½	6.20
†Lackawanna Steel 5s, 1950.....	75	7.00
†U. S. Steel 5s, 1963.....	94½	5.35
†Gen. Elec. Deb. 5s, 1952.....	88½	5.80
†Gen. Elec. Deb. 6s, 1940.....	101	5.85

Public Utility Bonds

†Amer. Tel. & Tel. 4s, 1929.....	78½	7.25
†Nor. States Power 5s, 1941.....	78½	6.90
†Manhattan Consol. 4s, 1990.....	57	7.10
†Amer. Tel. & Tel. 6s, 1925.....	95%	7.10
†Consol. Gas N. Y. 7s, 1925.....	100	7.00
†Pac. Gas & Elec. g. & r. 5s, 1942.....	77	7.10
†N. Y. Telephone 6s, 1949.....	90½	6.75
†Detroit Edison 1st coll. 5s, 1933.....	89½	6.20
†Amer. Tel. & Tel. 5s, 1946.....	81½	6.50
†N. Y. Telephone 4½%, 1939.....	77½	6.60
†Detroit Edison 1st Ref. 5s, 1940.....	82	6.65
†Southern Bell Tel. & T. 5s, 1941.....	83	6.60
†Western Union Tel. 4½%, 1950.....	80	5.90
†Hudson & M. rf. 5s, 1957 (Ser. A).....	63	8.25
†Columbia G. & E. 1st 5s, 1927.....	86	7.60
†Pub. Ser. N. J. 5s, 1959.....	61	8.50
†Int. Rap. Transit 5s, 1966.....	53½	9.75

Railroad Bonds Legal for Savings Banks N. Y. State

First Grade:	
†So. Fac. Ref. 4s, 1955.....	77
†C. B. & Quincy Ill. 3½%, 1949.....	72½

for FEBRUARY 19, 1921

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GUARANTEEING YOUR BUSINESS AGAINST CREDIT LOSSES

(Continued from page 552)

ing credit to the collection of the account, whether before or after insolvency of the debtor. He knows his sales and his losses. He knows how much of his accounts is overdue. He is kept posted in reference to his own business.

A Comparison with Fire Insurance

Fire insurance is based upon the principle that one who collects from all merchants an amount of money equal to the fire loss of all, can restore to each his own loss, whether more or less than the average. Every merchant is required to pay his share of the average loss in money, whether he has a fire or not.

Credit insurance provides for the retention by every merchant of the amount of his normal rate, for the company obtains from him only a premium for insuring the payment of his losses in excess of the normal.

The merchant whose accounts are insured saves the difference between the normal loss and any actual loss less than the normal. For example, if the average fire loss is $\frac{1}{2}$ of 1% of the values insured, the merchant must pay, in money, not less than $\frac{1}{2}$ of 1% for fire insurance; whereas, if the average credit loss on goods sold is $\frac{1}{2}$ of 1% and the merchant loses less than $\frac{1}{2}$ of 1%, he retains the difference between his actual loss and this average loss. He therefore gets the same protection for very much less money. So great a service for so inconsiderable a reward is afforded by no other form of insurance.

BUSINESS DEPRESSION HELPS KEEP RAIL EARNINGS DOWN

(Continued from page 538)

WHEELING & LAKE ERIE will have to show a considerable improvement before long if receivership is to be avoided. A deficit of \$88,379 was reported for December, compared with a deficit of \$9,211 in the previous month.

CHICAGO, MILWAUKEE & ST. PAUL continues to make about the worst showing of any of the roads. Gross for December fell off about 17% from the previous month, and net declined about 50%. Earnings for the four months were at the annual rate of \$12,780,000, compared with a standard return of \$27,945,820. Only recently this road had to borrow \$25,000,000 from the Government to meet maturing obligations, and at the present rate of operations it is hard to see how this road can escape receivership.

CHICAGO & NORTHWESTERN operated at a deficit for the second time since the new rates went into effect. Gross for December declined over 11% from the previous month, and the deficit of \$58,856 reported in November increased to \$290,209 in December. Earnings for the four months were at the annual rate of \$15,-

190,000, compared with a standard return of \$23,201,016.

GREAT NORTHERN earnings took a large decline in December. Gross decreased from \$12,315,650 in November to \$9,827,633, or over 20%, and net fell from \$2,050,802 to \$530,168. Earnings for the four months were at the annual rate of \$21,916,000, compared with a rental of \$28,666,681.

NORTHERN PACIFIC gross earnings declined over 11½%, and net almost 50% from November. Earnings for the four months were at the annual rate of \$19,000,000, compared with a standard return of \$30,057,760.

Transcontinental Lines

ATCHISON earnings took a tremendous drop in December. With gross earnings down over \$2,100,000 from the previous month, net income declined from \$4,156,630 in November to \$1,152,172 in December, or over 73%. This is a very surprising falling off in net, as it reflects either a very heavy increase in transportation expenses or a big rise in maintenance charges. Earnings for the four months were at the annual rate of \$32,700,000, compared with a standard return of \$44,615,087.

SOUTHERN PACIFIC, while reporting smaller gross earnings in December than in the previous month, showed an increase in net income. Earnings for the four months were at the annual rate of \$45,380,000, compared with a guarantee of \$48,244,600.

UNION PACIFIC also experienced a heavy falling off in traffic. Gross declined from \$19,547,152 in November to \$16,395,401 in December, and net fell from \$3,966,987 to \$1,193,409. Earnings for the four months were at the annual rate of \$46,370,000, which is still \$7,000,000 ahead of the Government guarantee.

SOME OPPORTUNITIES IN "STERLING" BONDS

(Continued from page 522)

to foreign investors, payable in their own currency. Central Pacific Railway (controlled by Southern Pacific Company) and our own St. Paul have financed themselves extensively in Europe, and their bonds payable in francs and pounds sterling are now available to Americans at a very low price due to the slump in these two exchanges. It is to be noted, however, that the Central Pacific and St. Paul (European loan) issues are listed on the London Stock Exchange, and find their way here in small lots, being purchased by dealers in wholesale parcels and retailed locally at a small profit as the opportunity occurs. They enjoy a fair market "over-the-counter" and can only be recommended for speculative investment to anyone who intends to hold permanently without the necessity arising to sell out in a hurry, when a good market may not be found.

The writer believes that bonds of this character are strictly specialties among investments, suitable for the man who is looking for bargains in out-of-the-way places.

Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.

RAILROADS

Chesapeake & Ohio Railway Co. has been granted authority by the Interstate Commerce Commission to guarantee the ten-year 6% promissory note of the Louisville & Jeffersonville Bridge & Railroad Co. for \$54,000 as part security for a loan of \$162,000 from the United States to the bridge company. The bridge company was granted authority to issue \$162,000 of 4% first mortgage gold bonds and to pledge them with the Secretary of the Treasury as security for a loan.

Chicago & Eastern Illinois securities issue.—Authority was given by the Interstate Commerce Commission to the Chicago & Eastern Illinois Railway Co. to issue \$85,971,150 of new securities. The road was given permission to issue \$4,285,000 of prior lien or first mortgage bonds, \$32,156,000 of general or second mortgage bonds, \$24,030,150 of preferred stock and \$25,500,000 of common stock. These issues are in compliance with the reorganization plan of the old company.

Hudson & Manhattan Railroad Co. directors have authorized an interest disbursement of 2% on the company's \$33,102,000 adjustment income 5s, payable April 1 out of surplus for six months ended December 31, 1920. No interest was paid for the six months ended June 30, 1920, and as the bonds became cumulative after January 1, 1920, a balance of 3% back interest remains unpaid. This is the first interest to be paid on the adjustment income bonds since October 1, 1916.

Norfolk & Western Railway has been authorized by the Interstate Commerce Commission to acquire and operate two feeder lines owned by the Tug River & Kentucky Railroad and the Williamson & Pond Creek Railroad. The lines in question comprise 4.45 miles on the Tug River and 16.29 miles on the Williamson property, lying partly in West Virginia and partly in Kentucky and connecting with the main line of Norfolk & Western. Norfolk & Western owns all capital stock of the two companies and there is no outstanding indebtedness.

Pennsylvania Railroad asks leave to issue bonds.—Permission was asked by the Pennsylvania Railroad in an application filed with the Interstate Commerce Commission to issue \$60,000,000 of 15-year 6 1/4% secured bonds and to issue and pledge as security for the obligation a like amount of 6% gold bonds, series C.

The company also asked permission to purchase from the Pennsylvania Co. \$20,000,000 of rolling stock and other equipment and spend \$22,000,000 in the purchase from the Pennsylvania Co. of shares of stock of the Pittsburgh, Fort Wayne & Chicago Railway.

Virginia Southern Railway Co. has been granted authority to issue six-months 6% promissory notes aggregating \$37,000. The carrier was also granted authority to issue \$150,000 of its first mortgage 6% gold bonds and to pledge \$76,000 of them as security for a loan

from the Government and \$74,000 of them as security for a note to the First National Bank of Richmond.

INDUSTRIALS

American Can Co.—Annual Report for year ended December 31, last, shows a surplus, after charges and Federal taxes, of \$4,830,918. This is equivalent, after deduction of preferred dividends, to \$4.71 a share on the \$41,233,300 common stock, and compares with a surplus of \$5,180,225, or \$5.56 a share in the preceding year.

At the last annual meeting held President Wheeler told the stockholders that the \$3,069,796 increase in the 1920 inventory account, which on December 31, last, amounted to \$27,823,229, was due to the fact that materials on hand at the close of 1919 had fallen to an abnormally low level because shipments had been delayed by the transportation tie-up. Supplies are now normal, he said, and the increase in the inventory account had wiped out the \$6,000,000 Liberty Bond credit shown in the 1919 report. President Wheeler stated that this investment had been made to take care of working capital which was rendered idle by the failure of the company to receive normal inventory shipments in the latter part of 1919.

American Cotton Oil Co.—Inventory on hand and in transit on December 31, last, totaled \$21,908,753. This compares with \$12,624,392 on November 30, 1920, and \$11,926,605 on December 31, last.

Although the company did not fare well last year, as a result of heavy charges against earnings, the fact that its inventories have been cut almost in half places it in a very strong position and enables it from now on to take advantage of the low prices of raw materials.

American Hide & Leather Co.—For the quarter ended December 31, last, the company reports a deficit, after taxes and charges, of \$5,315,850. This compares with a deficit of \$1,392,573 in the preceding quarter and a surplus of \$465,932, or \$3.71 a share, earned on the preferred stock in the last quarter of 1919.

Deficit for the last six months of 1920 amounted to \$6,708,424, which compares with a surplus of \$1,678,348, or \$1.37 a share on the preferred stock in the corresponding period of 1919.

The large deficit reported is largely the result of an adjustment of inventories to a basis of cost or market value, whichever is the lower, for all materials, and to replacement costs for finished leather. As a result of this adjustment the net current assets of the company on December 31, last, amounted to \$5,530,611, as compared with \$10,944,417 on September 30, last.

Owing to the poor showing for the last two quarters, the directors have decided to omit the quarterly dividend on

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the preferred stock, due at this time. Quarterly distributions of 13 1/4% had been made for some time past.

Atlas Powder Company.—Annual Report for the year ended December 31, last, shows surplus, after charges, Federal taxes and adjustment of inventory, of \$1,434,633. This is equivalent, after preferred dividends, to \$16.22 a share on the \$5,514,625 common stock and compares with a surplus of \$1,660,089, or \$22.39 a share earned on the \$5,002,400 common stock in the preceding year.

Gross sales last year amounted to \$24,393,568, against \$19,107,340 in the preceding year, and after payment of preferred and common cash dividends, there was a surplus of \$287,213, compared with \$519,802 in 1919. The report states that raw materials inventory as of December 31 has been written down to market value representing an amount of \$1,032,402.

Brill (J. G.) Co.—Annual Report for the calendar year 1920 shows surplus, after depreciation and estimated Federal taxes, of \$1,025,321. This is equivalent, after preferred dividends, to \$14.63 a share on the \$4,810,200 common stock and compares with a surplus of \$831,869, or \$2.29 a share on the common stock, after deducting 15 1/4% dividends paid on the preferred stock in the preceding year.

Briscoe Motor Corporation.—Production Schedule for 1921, announced by the company, provides for a greatly increased output. Last year the company produced 6,000 cars. The plant was at no time unproductive, for the lowest average production was at the rate of 10 cars a day, and this has now been increased to 35 cars a day, with a working force of 700 men.

Buffalo General Electric Co.—Surplus, after charges, for the 1920 fiscal year, was \$911,944, equivalent to \$11.41 a share on the outstanding \$7,990,600 capital stock. This compares with \$726,239, or \$9.50 a share on the \$7,642,300 stock outstanding in the previous year.

Childs Co.—Net profits, after depreciation and taxes, for the fiscal year ended November 30, last, were \$1,971,829 equivalent, after deduction of preferred dividends, to \$41.61 a share on the \$3,999,900 common stock. This compares with \$1,190,559, or \$22.09 a share, shown in the preceding year.

Cluett, Peabody & Co.—Annual Report covering the year ended December 31, 1920, shows net profits, after all charges and Federal taxes, of \$1,938,292. This is equivalent, after deduction of preferred dividends, to \$7.58 a share on the \$18,000,000 common stock and compares with net profits of \$5,153,129, or \$25.90 a share, in the previous year.

The balance sheet as of December 31, last, shows total assets of \$44,538,235, of which good will, patents, etc., valued at \$18,275,000, and inventory, amounting to \$15,885,633, constitute the chief items. Cash on hand amounted to \$1,771,794 and accounts receivable totaled \$4,086,184. On the other side of the account bills payable totaled \$11,248,176 and surplus at the end of the year amounted to \$5,770,773.

Coca-Cola Co.—Year's Earnings. Net income, after charges, but before Federal taxes, last year, amounted to \$2,451,062. This is equivalent, after preferred dividends, to \$3.50 a share on the 500,000 shares of common stock of no par value, as net income was

reached after deducting \$278,677 for depreciation and \$2,201,992 loss on inventory.

Consolidated Cigar Corporation.—Net Profits, after charges and all taxes, in the fiscal year ended December 31, last, were \$1,485,477, equivalent, after providing for preferred dividends, to \$11.64 a share on the 103,500 shares of common stock of no par value.

The consolidated balance sheet as of December 31, last, shows cash in banks and on hand of \$763,883; notes receivable, \$15,900; accounts receivable less reserves, \$2,014,444; inventories, \$7,453,892; notes and accounts payable, \$4,839,114, and surplus, \$568,797. The corporation now has a productive capacity of 500,000,000 cigars a year.

Continental Can Co.—Annual Report for the year ended December 31, last, shows surplus, after depreciation and Federal taxes, of \$1,548,620. This is equivalent, after deduction of preferred dividends, to \$9.19 a share on the \$13,500,000 outstanding common stock and compares with a surplus of \$2,624,963, or \$17.08 a share, in the preceding year.

After payment of preferred and common dividends and redemption of preferred stock, there was a balance of \$131,583, which, added to the previous surplus, brought the total surplus up to \$3,879,960 on December 31, last.

Continental Candy Corporation.—Receivership. On a petition filed by three New York banks a receivership has been appointed for the company. Losses said to amount to a million dollars through the recent decline in sugar prices and inability to raise funds for the completion of the corporation's new factory in Jersey City, N. J., are said to have made the receivership necessary. A plan of reorganization is in process of formulation and will be issued shortly, it is said, as practically all of the creditors as well as a large percentage of the stockholders are cooperating in an attempt at a reorganization.

Eastman Kodak Co.—Dissolution Decreed. The Federal District Court at Buffalo, N. Y., has entered a decree in the case of the United States against the Eastman Kodak Co. under the Sherman Anti-Trust law, directing the dissolution of the company by the sale and disposal of certain of its factories and certain lines of its photographic supplies.

The decree orders the sale of the Premo factory and the Century, Folmer and Schweng factory in Rochester and the Aristo plant in Jamestown, N. Y. Lines which are to be disposed of by the decree represent an investment of approximately \$3,786,000, and the total sales in them in 1920 totaled more than \$7,000,000, the Government attorneys asserted.

General Railway Signal Co.—Year's Earnings. For the fiscal year 1920 the company reports a surplus, before Federal taxes, but after depreciation and interest charges, of \$534,075. After allowing for Federal taxes, estimated at \$43,391, and preferred dividends, the balance is equal to \$6.35 a share on the \$3,000,000 common stock and compares with \$6.82 a share on the same basis in 1919.

Gillette Safety Razor Co.—Annual Report for the fiscal year ended December 31, last, shows net earnings, including those of subsidiaries without reserves for taxes, of \$6,803,407. This compares with \$6,025,350 in 1919, \$5,252,136 in 1918 and \$4,603,782 in 1917.

On the 250,000 shares of stock outstanding last year's earnings were equal to \$27.21 a share, as compared with \$24.10 a share in 1919.

Gulf State Steel Co.—Net Earnings for 1920 were \$751,219, after depreciation, taxes, writing down of inventories and loss established on Liberty Bonds. The return was equivalent, after preferred dividends, to approximately \$5.45 a share on the \$11,136,550 common stock outstanding. Net earnings in 1919 were \$279,421, equivalent, after preferred dividends, to \$1.20 a share on the common stock.

The writing down of inventories to cost or market, whichever was lower, together with the loss established on Liberty Bonds, will permit the company to begin 1921 on a solid foundation. Any appreciation which may occur this year in the value of materials or Government securities will, therefore, be reflected by increased earnings for 1921.

Hartman Corporation.—Net Profits for the year 1920 were \$1,859,202, equivalent to \$15.42 a share on the \$12,000,000 capital stock, after deducting Federal taxes and making adequate provision for all contingencies, including the marking down of inventories to cost or market prices, whichever was the lowest. Inventories on hand December 31, last, were lower than on June 30, 1920, and only about \$150,000 higher than on December 31, 1919.

International Salt Co.—Consolidated Income Account covering the quarter ended December 31, last, shows a deficit, after charges and sinking fund, of \$233,379, against a surplus of \$846,807 for the preceding quarter.

Jones Bros. Tea Co.—December Sales amounted to \$1,724,126, an increase of \$126,646 over the total for December, 1919. Total sales in the 12 months ended with December amounted to \$20,528,241, compared with \$16,503,806 for the preceding 12 months.

Kress (F. H.) & Co.—Income Account of the company and its subsidiaries for the year ended December 31, 1920, shows net earnings, after Federal taxes, of \$960,855, equivalent, after deduction of preferred dividends, to \$6.01 a share on the \$12,000,000 common stock. This compares with net earnings of \$2,075,826, or \$15.14 a share, earned in 1919.

Balance sheet as of December 31, last, shows inventories \$4,004,927, compared with \$3,531,594 on the same date of 1919, cash \$2,065,825, against \$2,023,056; accounts payable and tax reserves, \$1,787,674, with good-will, \$12,000,000.

Lackawanna Steel Co.—Financial Report covering the year 1920 shows net profit after all charges, including adjustment of inventories and Federal taxes, of \$4,294,375, equivalent to \$12.23 a share on the \$35,108,500 common stock outstanding. This compares with a surplus of \$356,863, or \$1.02 a share, earned in the previous year.

Lee Tire & Rubber Co.—According to President Watson, orders are holding up well, and the company's plant at Conshohocken, Pa., is operating at 50% of capacity.

The company is also taking advantage of the present lull in the tire industry to enlarge its plant capacity to 4,000 tires a day. The company, anticipating a revival in the tire industry, is said to have bought a four months' supply of crude rubber at 16 1/2¢ a pound. As all of its high priced rubber and fabrics was sold last August,

the company is therefore in a position to take advantage of present low prices to accumulate stocks of raw materials.

Midvale Steel & Ordnance Co.—For the three months ended December 31, last, the company reports net profits, after Federal taxes and charges, of \$2,056,724. This is equivalent to \$1.02 a share (par value \$50) on the 2,000,000 shares of capital stock outstanding, and compares with net profits of \$4,448,079, or \$2.22 a share, in the preceding quarter, and \$3,282,595, or \$1.64 a share, in the December, 1919, quarter. The statement for the year ended with December, as compiled from the company's quarterly reports, shows net profits of \$12,371,298, which is equivalent to \$6.18 a share, and compares with \$10,387,418, or \$5.19 a share earned in 1919.

Montgomery Ward & Co., Inc.—Annual Report for the year ended December 31, last, shows a net loss, after expenses and depreciation, of \$7,855,278. This compares with net profits, after Federal taxes, of \$4,194,170, equivalent, after preferred dividends, to \$12.17 a share on the 300,000 shares of the old common stock of no par value that were outstanding in the preceding year. This big loss reported by the company for 1920 is mainly due to depreciation of inventory, since the company's sales last year were larger than ever before.

Mullins Body Corporation.—Financial Report for the year ended December 31, last, shows net earnings, after charges and Federal taxes, of \$701,290. This is equivalent, after preferred dividends, to \$6.21 a share on the outstanding 100,000 shares of common stock of no par value.

National Biscuit Co.—Annual Report for the fiscal year ended December 31, last, shows net earnings, after taxes, of \$5,543,120, which is equivalent to \$13.02 a share on the \$29,236,000 common stock. This compares with \$5,349,863, or \$12.36 a share in 1919, and \$5,135,840, or \$11.63 a share in 1918.

Current assets on December 31, last, totaled \$19,845,237 and current liabilities \$2,700,000, leaving working capital of \$17,341,959, reduction of \$2,072,333 from the year before. This reduction was caused by new plant building during the year, the new Bethune street bakery in New York City having been completed during 1920 and two of the fixed chain ovens in the plant put in operation. Work was also started during the year on the new warehouse and manufacturing building at Marseilles, Indiana, which will be completed early in the spring and will insure a permanence in the company's supply of cartons and paper boxes.

New York Shipbuilding Corporation.—Annual Report for 1920 shows net income, after charges, but before Federal taxes, of \$2,826,698. This is equivalent to \$14.13 a share on the 200,000 shares of capital stock of no par value, and compares with net income of \$1,401,792, or \$7 a share earned in 1919.

Niles-Bement-Pond Co.—Annual Report for 1920 shows net profits, after expenses and taxes, of \$1,031,522, equivalent, after allowing for preferred dividends, to \$10.95 a share on the \$8,500,000 common stock outstanding. This compares with net profits of \$2,280,624, or \$25.64 a share earned in the preceding year.

Orpheum Circuit, Inc.—Year's Earnings. For the year ended December 31, last, the company reports net profits, after taxes, of \$2,816,958. This is

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equivalent, after payment of preferred dividends, to \$4.11 a share on the outstanding common stock.

Pacific Coast Co.—Gross Earnings in December were \$446,558, an increase of \$116,339 over December, 1919, and net earnings after expenses were \$27,542,000, a gain of \$20,287. For the last half of 1920 gross earnings were \$2,930,392, an increase of \$512,224 over the corresponding period of 1919, while net earnings after expenses were \$296,167, an increase of \$88,370.

Parke, Davis & Co.—Gross Earnings for the year ended December 31, last, were \$4,558,899, as compared with \$6,604,702 in 1919, while net earnings totaled \$2,494,669, against \$4,293,591.

Pettibone-Muliken Co.—Annual Report for 1920 shows surplus, after depreciation and Federal taxes, of \$627,673. This is equivalent, after deduction of preferred dividends, to \$7.81 a share on the \$7,000,000 common stock, and compares with \$165,620, or \$1.05 a share earned in 1919.

Pierce-Arrow Motor Car Co.—Annual Report for the year ended December 31, last, shows net profits, after charges and Federal taxes, of \$1,769,914. This is equivalent, after deduction of preferred dividends, to \$3.88 a share on the 250,000 shares of capital stock of no par value, and compares with net profits of \$2,491,070, or \$6.75 a share in the previous year. The balance sheet as of December 31, last, shows inventories of \$16,470,662, compared with \$13,545,422 on the same date of the preceding year; notes and accounts receivable, \$1,798,858, against \$2,857,517, and cash, \$1,338,100 compared with \$1,424,168.

Pullman Co.—Inventories on December 31, last, were \$18,497,676, compared with \$3,933,711 on December 31, 1919, an increase of \$14,563,965. This increase was necessitated by a greatly enlarged business, as the work in process last December amounted to \$6,404,287, compared with only \$373,434 on December 31, 1919.

Scoville Mfg. Co.—Annual Report for 1920 shows net earnings, after charges and taxes, of \$983,967, equivalent to \$19.68 a share on the \$5,000,000 outstanding capital stock. This compares with net earnings of \$2,156,025, or \$43.12 a share earned in 1919.

Sears, Roebuck & Co.—January Sales amounted to \$15,597,766, a decrease of \$13,893,210, or 47.1% as compared with January, 1920.

Studebaker Corporation.—Regular Dividends. The corporation has declared the regular quarterly dividends of \$1.75 a share on the common stock and of \$1.75 a share on the preferred, both payable March 1 to stock of record February 10.

Following the meeting of the directors on January 31, President A. R. Erskine said: "Reports from our dealers generally show sales during January for immediate and spring delivery to customers exceed those of the same period last year. Our plants are running on a 50% production basis, which will be gradually increased as spring advances."

United Cigar Stores Co. of America.—January Sales are reported to have been 9.76% over January, 1920, and about 50% above January, 1919. In January of last year the company's increase of 36% over 1919 was the largest in its history. Last month total sales amounted to \$5,962,224, against \$5,431,843 for January, 1920.

United States Rubber Co.—Prelimi-

nary Report issued by the company for the year ended December 31, 1920, shows net profits, after charges and provisions for Federal, Canadian and British taxes, of \$21,275,524. This is equivalent, after providing for dividends on the preferred stocks, to \$19.82 a share on the \$81,000,000 common stock, and compares with net profits of \$17,730,237, or \$17.59 a share on the \$72,000,000 common stock outstanding in 1919.

The year 1920 was the biggest one in the company's history. Its net sales during that period totaled \$255,744,685, an increase of \$30,155,220 compared with those of 1919, the best previous year.

U. S. Steel Corporation.—Unfilled Orders on the Corporation's books, as of January 31, last, totaled 7,573,164 tons. This compares with 8,148,122 tons on December 31, last, a decrease of 574,958, and with 9,285,441 tons on January 31, 1920.

As there was a drop in unfilled orders of 870,000 tons in December, the fact that the falling off was much smaller in January is generally considered a rather favorable development, especially as it is known that there were some rather heavy cancellations of contracts last month, a part of which came from the railroads.

Weyman-Bruton Co.—Annual Report for 1920 shows net earnings, after all charges and Federal taxes, of \$1,805,535. This is equivalent, after deduction of preferred dividends, to \$22.30 a share on the \$6,623,800 common stock, and compares with net earnings of \$1,727,205, or \$21.12 a share earned in the previous year.

Wickwire-Spencer Steel Corporation.—New Stock. The stockholders have approved the issue of 25,000 shares of additional 8% preferred stock (par \$100). This will bring the total issue of preferred to \$10,000,000. The company has outstanding \$12,500,000 7% bonds, 80,000 shares of Class A 4% common stock and 250,000 shares of Class B common stock.

Woolworth (F. W.) Co.—Annual Report for the year ended December 31, 1920, shows surplus, after depreciation, charges and Federal taxes, and preferred dividends, of \$8,917,751. This is equivalent to \$13.87 a share on the \$65,000,000 common stock outstanding, and compares with a surplus of \$8,554,435, or \$17.11 on the outstanding \$50,000,000 common stock in the preceding year. The balance sheet as of December 31, last, shows inventories of \$18,500,668, as against \$17,248,973 on the same date of 1919, and cash amounting to \$4,267,345, compared with \$4,845,555 in the preceding year. Working capital account amounted to \$20,087,901, compared with \$19,990,073 at the end of 1919.

MINING NOTES

American Zinc, Lead & Smelting Co.—Dividends passed. Due to general conditions prevailing in the zinc industry, and the desire of the management to conserve company's cash, the directors have passed the regular quarterly dividend of \$1.50 a share on the preferred stock, due at this time.

Anaconda Copper Mining Co.—Copper Production in January amounted to 9,700,000 lbs., comparing with 10,500,000 lbs. in December, 11,100,000 lbs. in November, 11,000,000 lbs. in October and 18,100,000 lbs. in January of last year.

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Calumet & Arizona Mining Co.—December Production of copper was 3,300,000 lbs., which compares with 3,226,000 in November, 2,484,000 in October and 3,038,000 in September. The output in December, 1919, was 4,502,000 lbs. of copper.

Cerro de Pasco Copper Co.—Dividend cut for the purpose of conserving the cash resources of the company, the directors have decided to reduce the quarterly dividend, payable at this time, from \$1 to 50c. a share.

Inspiration Consolidated Copper Co.—January Production was approximately 5,000,000 lbs. of copper. This compares with 5,000,000 lbs. in December, 5,350,000 lbs. in November, 7,000,000 lbs. in October and 7,500,000 lbs. in September. In January of last year the output was 7,200,000 lbs.

International Nickel Co.—Year's Earnings. The company reports for the 9 months ended December 31, last, a total income of \$5,335,939, against \$4,406,460 in the same period of 1919, and net profits, after charges and Federal taxes, of \$2,620,873, equivalent after preferred dividends to \$1.33 a share (par \$25) on the \$41,834,600 common stock. This compares with net profits of \$1,799,957, or 83c. a share earned in the corresponding period of 1919.

The balance sheet as of December 31, last, places inventories at \$11,764,482, against \$7,890,148 on December 31, 1919, and cash at \$1,757,997, compared with \$3,137,639 in the previous year.

It is said that operations at the company's plants have been reduced to a point where production is only sufficient to keep the company's organization intact. There has been no revival in buying from abroad, while domestic purchases have been minimized owing to the slackening in the automobile and steel trades.

Kennecott Copper Co.—December Production was 10,599,480 lbs. of copper, against 11,146,000 lbs. in November and 7,879,640 lbs. in December, 1919.

New Jersey Zinc Co.—Quarterly Report covering the 3 months ended December 31, last, shows surplus, after charges and taxes, of \$841,557, equivalent to about \$2 a share on the \$42,000,000 capital stock. This compares with a surplus of \$1,711,873, or \$4.07 a share earned in the preceding quarter, and with \$2,675,212, or \$7.64 a share earned on the \$35,000,000 stock outstanding in the December, 1919, quarter.

For the year 1920 net income was \$7,938,135, equivalent to \$18.91 a share on the capital stock, and compares with \$8,958,094, or \$25.59 a share earned in 1919.

United Verde Extension Mining Co.—January Output of the company's mines amounted to 3,219,912 lbs. of copper, which compares with 3,204,258 lbs. produced in December, 2,642,812 lbs. in November and 3,676,312 lbs. in January, 1920.

PUBLIC UTILITIES

Adirondack Power & Light Corporation.—December Gross Earnings were \$446,669, an increase of \$45,102 over those of December, 1919, and surplus after taxes and fixed charges, was \$64,892, a decrease of \$19,614.

For the 12 months ended with December gross earnings were \$4,714,526, an increase of \$849,263 over the preceding 12 months, and net earnings af-

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ter taxes and fixed charges were \$476,729, a decrease of \$336,493.

American Light & Traction Co.—Financial Report for the 12 months ended December 31, last, shows net earnings of \$3,051,494, equivalent after deduction of preferred dividends to \$8.08 a share on the \$27,198,300 common stock. This compares with net of \$4,142,863, or \$13.13 a share on the \$25,047,100 common stock outstanding in the previous year. Dividends paid during the year amounted to \$2,496,715, leaving a surplus of \$554,779.

California-Oregon Power Co.—New Issues. Application has been made to the California State Railroad Commission for permission to create a bonded indebtedness of \$10,000,000 to secure funds to meet the cost of necessary extensions and betterments and to meet underlying bond issues as they mature. Authority is also sought to issue 22,200 shares of preferred capital stock and 44,400 shares of common stock of the new company, which is to be known as the California-Oregon Power Co. This stock is to be delivered to present bond holders on the basis of \$500 of preferred and \$1,000 common for each \$1,000 California-Oregon Power Co. 5% bond. The reorganization plan will result in a reduction of \$4,062,000 in outstanding securities. It is claimed by the company that the value of its properties in California is \$4,320,240, exclusive of its Dunsmuir water properties, said by the company to be worth \$127,314. The Oregon properties are given a value of \$2,985,612.

Cities Service Co.—Bankers' Shares. The company has declared a monthly dividend of 36 1/4c a share on its Bankers Shares, payable March 1 to holders of record February 15. On February 1 the distribution was 34c.

Columbia Gas & Electric Co.—Dividends Increased. A quarterly dividend of \$1.50 a share, payable February 15 to stock of record January 31, has been declared. This places the stock on a \$6 annual basis. The company has been paying \$1.25 quarterly since January, 1920, when the rate was increased from \$1 quarterly.

For the 12 months ended December 31, last, the company reports surplus, after charges and taxes, of \$4,836,541, as compared with \$3,257,400 in the previous year.

Hudson & Manhattan Railroad Co. Preliminary Statement of combined corporate and Federal operating income for the 12 months ended Dec. 31, last, shows gross earnings of \$9,218,308, an increase of \$1,129,698 over the preceding year; operating expenses and taxes of \$5,457,674, an increase of \$610,115, and net income of \$3,760,634, an increase of \$539,582.

The directors have authorized a disbursement of 2% on the company's \$33,102,000 Adjustment Income 5% bonds, payable April 1, out of the surplus for the six months ended Dec. 31, last. As the bonds became cumulative after January 1, 1920, and as no interest was paid for the first half of last year, a balance of 3% back interest remains unpaid. This is the first interest disbursement on the Adjustment Income bonds since October 1, 1916.

Idaho Power Co.—Earnings Statement for the 12 months ended Dec. 31, last, shows large increases over 1919. Gross earnings amounted to \$2,282,153, against \$1,777,832 for the previous year, while net earnings after taxes increased from \$858,072 to \$1,170,865. After payment of preferred dividends there was

a balance of \$678,459, comparing with \$408,678 for the preceding 12 months.

Illinois Bell Telephone Co.—Annual Report of this company, formerly known as the Chicago Telephone Co., for the year ended December 31, last, shows net income, after charges and taxes, of \$1,426,461. This is equivalent to \$3.56 a share on the \$40,000,000 capital stock, and compares with net income of \$3,032,180, or \$7.58 a share earned in 1919.

Northern Ohio Electric Co.—Gross Earnings of the company and its subsidiaries in December were \$853,661, a decrease of \$68,779 from the total reported for December, 1919, and after fixed charges and preferred dividends there was a deficit of \$17,807, as compared with a surplus of \$105,098 in the preceding year.

For the 12 months ended with December gross earnings were \$11,014,845, an increase of \$1,716,296 over the preceding 12 months, and the surplus after fixed charges and preferred dividends was \$473,418, a decrease of \$263,262.

Ohio Power Co.—December Gross Earnings amounted to \$612,479, an increase of \$226,463 over December, 1919; net earnings were \$192,653, a gain of \$83,937, and net income after charges was \$187,484, an increase of \$76,197.

For the 12 months ended with December gross earnings were \$5,749,542, an increase of \$1,298,580 over the total for the preceding 12 months; net earnings were \$1,187,060, a decrease of \$249,428, and net income after charges was \$1,166,552, a gain of \$233,403.

After payment of preferred dividends there was a balance available for the common stock of \$996,638, as compared with \$858,604 for 1919.

Oklahoma Gas & Electric Co.—Bond Issue. The company has sold to a syndicate of New York bankers \$6,000,000 1st and refunding 7 1/2% bonds, due February 1, 1941. Proceeds of the sale of the bonds will provide funds for the retirement of underlying bonds and notes, and for the reduction of floating debts incurred by additions and extensions to property.

Peoples Gas Light & Coke Co. of Chicago.—Annual Report for the year ended Dec. 31, last, shows a surplus, after charges and taxes, of \$380,752. This is equivalent to 99c a share on the \$38,500,000 common stock outstanding, and compares with a surplus of \$65,208, or 17c a share earned in the preceding year.

Southern California Edison Co.—Stock Issue. The California State Railroad Commission has authorized the company to issue \$10,000,000 of common capital stock for not less than \$90 a share. Of the proceeds from the sale not more than \$6,099,261 may be used to finance in part the cost of plants and extensions, additions and betterments, the balance to be held subject to orders of the Commission.

Standard Gas & Electric Co.—Year's Earnings. The company reports for the 12 months ended Dec. 31, last, gross earnings of \$3,122,449, against \$3,040,987 for the preceding year. Net earnings after taxes were \$3,076,612, compared with \$2,960,895.

United Gas & Electric Corporation—Gross Earnings in December were \$1,165,429, an increase of \$123,960 over those of December, 1919, and surplus after charges and taxes was \$127,108, a decrease of \$35,969.

For the 12 months ended with December gross earnings were \$12,144,107, an increase of \$1,867,860 over the

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preceding 12 months, and surplus after charges and taxes was \$1,402,257, a decrease of \$16,421.

OIL NOTES

Atlantic Refining Co.—Net Profits, after Federal taxes, for the year ended Dec. 31, last, are estimated at \$11,047,000, as compared with \$11,026,000 in 1919, and \$7,410,000 in 1918.

Cumberland Pipe Line Co.—Financial Report covering the year ended Dec. 31, last, shows a surplus after dividends of \$209,029, compared with a surplus of \$543,976 in the previous year.

The balance sheet as of December 31, last, shows assets and liabilities of \$5,060,781, the former being made up of plants, \$4,086,539; other investments, \$488,687; accounts receivable, \$120,777, and cash \$364,776. The profit and loss surplus on December 31, last, was \$1,603,920.

Houston Oil Co. of Texas.—Gross Sales for the quarter ended Dec. 31, last, totaled \$1,191,477. After deduction of expenses, depletion and depreciation, there was a surplus of \$620,797, comparing with a surplus of \$428,826 in the preceding quarter.

Northern Pipe Line Co.—Annual Report for the 1920 fiscal year shows net income, after depreciation and taxes, of \$399,880, equivalent to \$9.99 a share on the \$4,000,000 capital stock. This compares with net income of \$416,777, or \$10.41 a share earned in the preceding year.

Pacific Oil Co.—Estimated Earnings for the 11 months ended November 30 last, the oil department of the Southern Pacific Co., to which the Pacific Oil Co. has succeeded, showed net income from oil operations of \$11,139,377. Assuming that the December earnings were about the same as those of November, namely, \$1,790,034, net income for the full year would have amounted to \$12,929,377. In addition, the company would have received the 6% dividend on its \$20,069,000 Associated Oil stock, amounting to \$1,204,400. This would have brought the total net income to \$14,134,515, equal to about \$4 a share on the 3,500,000 shares authorized to be issued.

Southern Pipe Line Co.—Net Profits for the year ended December 31, last, were \$1,315,181, equivalent to \$13.15 a share on the \$10,000,000 capital stock. This compares with \$1,685,995, or \$16.85 a share, earned in the preceding year.

Southwest Pennsylvania Pipe Line Co.—Net Profits in 1920 were \$356,149, equivalent to \$10.17 a share on the capital stock, as compared with \$250,312, or \$7.15 a share earned in 1919. After dividend payments aggregating \$279,-

999, there was a surplus of \$76,150, as against a deficit of \$169,687 in 1919 after dividend payments aggregating \$419,999. The company's total profit and loss surplus on December 31 last was \$750,073.

Standard Oil Co. of Indiana.—Dividend Increased. The directors have declared a quarterly dividend of \$1 a share on the \$25 par value stock, payable March 15 to stockholders of record February 16.

The \$4 rate is equivalent to a \$40 annual payment on the old \$100 par value stock, before the 150% stock dividend and reduction in par value. It, therefore, represents an increase of \$8 a share per annum over the rate of \$32 a share on the old stock.

On December 18, 1920, the company paid a 150% stock dividend, following which the par value was reduced from \$100 to \$25 a share. The result was that the holder of 1 old share received, with the stock dividend and reduction in par, 10 shares of new \$25 par value stock.

Tide Water Oil Co.—Net Earnings for 1920, before interest and taxes, with December estimated, were approximately \$14,500,000, against \$11,204,881 in 1919. Net sales in 1920 amounted to about \$60,000,000, against \$46,828,784 in the previous year.

Warren Oil Co.—A receiver has been appointed for the company, which has its headquarters at Warren, Pa. Pressure of creditors and frozen assets are said to have caused the trouble. Assets are estimated at \$3,000,000 and liabilities at approximately \$2,000,000.

WILL HISTORY REPEAT ITSELF?

The Trend of Commodity and Stock Prices If Civil War Precedent Is to Be Followed

By W. H. FLEMING

Can stocks rise while commodities decline? This question is being argued by bankers and brokers, and is in the minds of many potential investors.

The writer has not seen any graph comparing the history of the past with the present trend of events, so has undertaken to compile one from data contained in "A Century of Prices," by Theo. E. Burton and G. C. Selden. The stock prices used were originally compiled by Mr. Henry Hall and represent the average of twenty standard railroad stocks which adequately reflects the price movements for the period indicated.

In arriving at average prices from 1900 forward, statisticians always include standard industrial stocks as well as rail-

MARKET STATISTICS

	N. Y. Times. 40 Bonds.	Dow, Jones Avg. 20 Indus.	20 Rails.	N. Y. Times. 50 Stocks		
				High.	Low.	Sales.
Monday, Jan. 31...	70.98	76.13	76.17	71.60	70.61	480,134
Tuesday, Feb. 1...	70.74	75.48	75.38	70.79	69.93	398,700
Wednesday, Feb. 2...	70.46	74.98	75.21	70.14	69.22	496,055
Thursday, Feb. 3...	70.32	74.34	74.41	69.88	68.90	545,992
Friday, Feb. 4....	70.36	74.74	74.56	69.63	68.49	519,795
Saturday, Feb. 5....	70.47	75.05	74.90	69.86	69.41	202,410
Monday, Feb. 7....	70.64	74.80	74.58	69.94	69.08	354,660
Tuesday, Feb. 8....	70.58	75.54	74.92	70.70	69.21	447,478
Wednesday, Feb. 9....	70.57	75.48	74.66	71.17	70.28	463,525
Thursday, Feb. 10....	70.47	75.59	74.42	70.62	70.02	376,248
Friday, Feb. 11....	70.48	75.59	73.60	70.47	69.84	391,821
Saturday, Feb. 12...						
					HOLIDAY	

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How to buy bonds that are safe, bring a good yield and are in a position for price appreciation. (Price \$2.10.)

What Every Investor Ought to Know—by Robert L. Smitley.

A handy volume answering hundreds of questions on every form of investment. (Price \$1.31.)

A Century of Prices—by Ex-Senator Theo. E. Burton and G. C. Selden.

An examination of economic and financial conditions as reflected in prices, and money rates during the past 100 years, with a view to establishing general principles which may aid in interpreting the present and future. (Price \$2.10.)

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road; but for purposes of comparison the above figures are believed to be the best available. The level of average commodity prices is given in gold. The fluctuations in the depreciated paper currency of the time would show a variation four or five times as great.

I have indicated in the graph the years after the recent war which correspond nearly to those after the Civil War. The comparison is not minutely exact, as the war ended in the spring of 1865, while the recent war ended in the fall of 1918; but they are close enough for our purpose. We must also remember that the Civil War was local. I suspect, however, that in spite of this fact the comparison is more valuable than might be believed. The Civil War was a greater upheaval to the United States than was the world war, and history seems more likely to repeat itself than not.

It will be noted that commodity prices and stock prices crossed each other in 1864 and again in 1869, about four years later. The graph indicates that after the first shock average stock prices will rise as commodity prices decline. It would be trite to point out that this comes about by reason of the release of funds which become available for investment.

FINANCIAL BRIEFS

ADMITTED TO BOARD OF DIRECTORS

Victor de Vilhas, head of the statistical department, and Victor E. Graham, advertising manager of this publication, were admitted to the Board of Directors of the Ticker Publishing Company, publishers of THE MAGAZINE OF WALL STREET.

At a regular meeting of the Board of Directors, Victor E. Graham was elected vice-president of the Ticker Publishing Company.

AVRAM & CO. ELECT JAMES D. LACEY A DIRECTOR

James D. Lacey has been elected to the Board of Directors of M. H. Avram & Co., Inc. Mr. Lacey is a member of the firm of James D. Lacey & Co., is president of the Southern Cypress Co. and the James D. Lacey Timber Co. He is also a director of the Interstate Trust & Banking Co. of New Orleans, the Michigan Trust Co. of Grand Rapids, Mich., and the Manophone Corp. of Adrian, Mich.

PROSPECTS OF THE BOSTON COPPERS

(Continued from page 557)

alent to a relatively high yield. New Cornelia has the record for low cost, but its high capitalization, and temporary inability to market its production, are holding it down for the time being. Its shares are attractive, but not so much so as those of its parent company Calumet & Arizona. Copper Range has the advantage of low cost production, and will be among the first to profit by the recovery in the copper market. The other Boston Coppers are relatively high-cost producers and not attractive under present conditions.

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THIS Company is well established in the refining and marketing business throughout the Dominion of Canada and has acreage in the new Canadian oil fields.

Dividends have been paid continuously since 1909 and are now being paid at the rate of 8% per annum on the \$5,000,000 capital stock of \$25 par value. The company has no preferred stock or bonded indebtedness.

Circular No. S-5 on this Company will be furnished on request.

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DIVIDENDS

SOUTHERN PACIFIC COMPANY.
NOTICE OF MEETING.

165 Broadway, New York, N. Y., Jan. 3, 1921.
The Annual Meeting of the Stockholders of the Southern Pacific Company will be held at the office of this Company in Anchorage, Jefferson County, Kentucky, on Wednesday, April 6, 1921, at twelve o'clock noon, standard time, for the following purposes, viz:

1. To elect fifteen Directors.
2. To consider and act upon all questions and matters which may legally come before the meeting relating to Federal control of the Company's properties under the act of Congress of March 21, 1918, or any agreement or settlement with the Government in respect thereto, or relating to the termination of such Federal control by the return of the properties or otherwise, and / or relating to conditions resulting from or succeeding such Federal control, and generally all questions and matters growing out of or incident to such control, termination thereof, or following conditions, including the guaranty of income under the Transportation Act, 1920, and settlement thereof.

3. To transact all other such business as may legally come before the meeting, including the approval and ratification of all action of the Board of Directors and of the Executive Committee since the last annual meeting of the Stockholders of this Company.

For the purposes of the meeting, the books for the transfer of stock will be closed at 3 o'clock P. M., Tuesday, March 22, 1921, and will be reopened at 10 o'clock A. M., Thursday, April 7, 1921.

By order of the Board of Directors.

HUGH NEILL, Secretary.

CITIES SERVICE COMPANY

Bankers Shares

Monthly Distribution No. 24

Henry L. Doherty & Company announce that the twenty-fourth monthly distribution on Cities Service Company Bankers Shares, payable March 1, 1921, to holders of Bankers Shares of record February 15, 1921, will be 30% cents a Bankers share.

Packard Motor Car Company PREFERRED STOCK

The regular quarterly dividend of one and three quarters (1 1/4%) on the preferred capital stock of the Company, has been declared by the Board of Directors, payable March 15, 1921, to the holders of the preferred stock of record at the close of business February 28, 1921. The books will not be closed.

FREDERICK R. ROBINSON,
Detroit, Michigan,
Secretary.

February 10, 1921.

Mark A. Noble Theodore C. Corwin

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IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate	Name	Amt. Declared	Stock of Record	Paid to Div. able
7%	Acme Tea, 1st p...	1 1/4% Q	2-16	3- 1
7%	Am S & Ref, p...	1 1/4% Q	2-11	3- 1
4%	Am S & Ref, c....	1 % Q	2-18	3-15
12%	Am Tobacco, c....df3	1/2% Q	2-10	3- 1
12%	Am Tobacco, c.B..df3	1/2% Q	2-10	3- 1
6%	As Drygoods, 1st p	1 1/4% Q	2-11	3- 1
7%	As Drygoods, 2d p.	1 1/4% Q	2-11	3- 1
6%	At, Top & S Fe, c	1 1/4% Q	2-28	3- 1
8%	Brooklyn Edison...	2 % Q	2-18	3- 1
\$8	Buckeye P L (\$50).\$2	Q	2-21	3-15
\$2	C de Pas (no p.).50c	Q	2-17	3- 1
6%	Cities Serv, p.....	1/2% M	2-15	3- 1
6%	Cities Serv, p.B..	1/2% M	2-15	3- 1
6%	Cities Service, c...	1/2% M	2-15	3- 1
....	Cities Serv, c ext.e1 1/2%	Q	2-15	3- 1
....	C Ser, bks (no p.).36 3/4c	Q	2-15	3- 1
7%	Consol Cigar, p...	1 1/4% Q	2-14	3- 1
35c	Cos & Co, p (\$5)...8 3/4c	Q	2-15	3- 1
\$3	Crescent P L (\$50).75c	Q	2-21	3-15
7%	Deere & Co, p.....	1 1/4% Q	2-15	3- 1
8%	Detroit Ut Ry.....	2 % Q	2-11	3- 1
8%	Diamond Match...	2 % Q	2-28	3-15
7%	Eastern Steel, 1st p	1 1/4% Q	3- 1	3-15
7%	Eastern Steel, 2d p	1 1/4% Q	3- 1	3-15
5%	General Asphalt, p.	1 1/4% Q	2-14	3- 1
\$12	Gillette S R (no p.).\$3	Q	1-31	3- 2
7%	Gr & A P Tea, p.	1 1/4% Q	2-16	3- 1
6%	Harb-Walk Ref, c	1 1/4% Q	2-19	3- 1
7%	Hartman Corp.....	1 1/4% Q	2-16	3- 1
7%	Illinois Central.....	1 1/4% Q	2- 4	3- 1
\$1	Inland Steel (\$25).25c	Q	2-10	3- 1
7%	Int Harvester, p...	1 1/4% Q	2-10	3- 2
\$2	Lee Rub T (no p.).50c	Q	2-15	3- 1
12%	Liggett & M Tob, c.3	1/2% Q	2-15	3- 1
10%	Manati Sugar, c...	2 1/2% Q	2-15	3- 1
\$2	Martin P C (no p.).50c	Q	2-15	3- 1
8%	May Dept Stores, c.	2 % Q	2-15	3- 1
7%	National Lead, p....	1 1/4% Q	2-18	3-15
6%	New Orl, T & M, c	1 1/4% Q	2-18	3- 1
\$4	N Y Ship C (no p.).\$1	Q	2- 9	3- 1
\$5	Phila Co, 5% p....\$1.25	S	2-10	3- 1
7%	Pittsburgh Steel, p.	1 1/4% Q	2-15	3- 1
12%	Porto R Am Tob...d1	1/2% Q	2-15	3- 3
7%	Pressed St Car, p.	1 1/4% Q	2- 8	3- 1
8%	Pressed St Car, c...	2 % Q	2-16	3- 9
16%	Pure O Co, c (\$25).td4	1/2% Q	2-15	3- 2
\$2	Rdg Co, 1st p (\$50).50c	Q	2-18	3-10
4%	St L, R Mt & P, c...	1 % Q	2-19	2-28
12%	So Pipe Line.....	3 % Q	2-14	3- 1
10%	S O of Cal.....	2 1/2% Q	2-15	3-15
....	S O of Cal, ext...	1 %	2-15	3-15
12%	S O of Kansas.....	3 % Q	2-28	3-15
....	S O of Kan, ext...	3 %	2-28	3-15
16%	S O of N Y.....	4 % Q	2-25	3-15
7%	S O of Ohio, p....	1 1/4% Q	2-18	3- 1
7%	Stern Bros, p.....	1 1/4% Q	2-15	3- 1
....	Stern Bros, p ext.m1 1/4%	Q	2-15	3- 1
7%	Studebaker Corp, p.	1 1/4% Q	2-10	3- 1
7%	Studebaker Corp, c.	1 1/4% Q	2-10	3- 1
7%	Union Tank Car, p.	1 1/4% Q	2- 5	3- 2
7%	Union Tank Car, c.	1 1/4% Q	2- 5	3- 2
....	United C St of A, c	1 1/4% Q	2-10	2-24
7%	Web & Heilbronner, p	1 1/4% Q	2-23	3- 1
6%	White (J G) Co, p..	1 1/4% Q	2-15	3- 1
7%	White (J G) Eng, p.	1 1/4% Q	2-15	3- 1
6%	White (J G) Eng, c.	1 1/4% Q	2-15	3- 1
7%	White (J G) Mgt, p	1 1/4% Q	2-15	3- 1
H	Wilson & Co, c st d..e1 1/4%	Q	1-27	3- 1
8%	Woolworth (F W), c 2 % Q	Q	2-10	3- 1

d Payable in scrip.
d2 Payable in 8% scrip to be exchanged for
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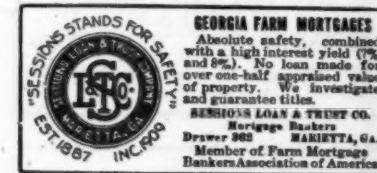
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